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**FOREIGN
AGRICULTURE**

November
1980

United States Department of Agriculture

Foreign Agricultural Service

STA/STA



**Soviets Scour World Markets for Sugar • Canada Tackles Grain
Transportation Problems • FAS Export Promotion Schedule,
1981 • EC Subsidies Hurt U.S. Poultry Exports**

OUTLOOK '81



The U.S. Department of Agriculture's 57th annual agricultural outlook conference will be held November 17-20 in Washington.

As the first conference of the new decade, and the last before the new food and agricultural legislation, Outlook '81 features a full day of discussion devoted to directions for U.S. agricultural policy in the 1980's. USDA leaders and prominent speakers from the private sector will probe topics including trade and development, resources and conservation, research, food programs, and farm policy. Policy issues shaping the 1981 legislation will receive special attention.

The first outlook conference took place in 1923 as a means to get USDA economic research findings out to the American farmer. The conference aimed not to formulate an agricultural program, but to draw a picture of conditions with respect to probable supply and demand. Farmers were not told what to do, but were given the economic facts to help them act intelligently. The first conference took place behind locked doors with invitations extended to a very limited audience.

For years now the conference has been open to anyone from the United States or abroad with an interest in the course of American agriculture. This year will be no exception, with wide global representation anticipated.

At Outlook '81 approximately 1,000 representatives from the U.S. Government, private industry, academia, and foreign countries will examine these policy issues along with the overall outlook for U.S. agriculture, food and nutrition, and rural life. Speakers will take into account important developments of the past year in agriculture such as the change in U.S. and Soviet trade relations, the drought in the United States, and emerging dietary issues.

Agriculture Secretary Bob Bergland will open the conference on Monday, November 17. Session topics that day will include the U.S. and world agricultural outlook and the agricultural trade outlook. Commodities will be covered in depth on Tuesday, November 18, in sessions on feed and food grains, oilseeds, livestock and poultry, dairy products, fruits and vegetables, cotton, and sweeteners. Other sessions will cover farm inputs, energy, and transportation.

On Wednesday morning, the emphasis will be on food prices and farm income and credit, plus tobacco, forest products, weather and climate. The remainder of the conference on Wednesday afternoon and Thursday morning will be devoted to policy issues for the '80s.

Issues to be explored during these sessions are the economic setting, trade and development, food and agricultural concerns, resources and conservation, the 1981 food and agricultural legislation, food programs, and commodity programs.

Underscoring the sessions on trade is the fact that U.S. agricultural exports in fiscal 1981 are expected to total \$40-\$45 billion, compared with the \$40 billion estimated for fiscal 1980. USDA's forecast of 1981 agricultural imports are up to \$18.5 billion owing to increased sugar imports and higher prices. The fiscal 1981 agricultural trade balance is now forecast at \$25 billion, up from the \$22.5 billion expected for fiscal 1980.

Family living sessions will focus on finances, housing, transportation, and energy for the rural household; changing roles of rural women; and dietary issues.

Information about the conference may be obtained by telephoning (202) 447-3050 or by writing to: Outlook '81, WFAOSB-USDA, Room 3506, Washington, D.C. 20250.

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Cover photo: Gauchos at Brazilian livestock show, Porto Alegre.



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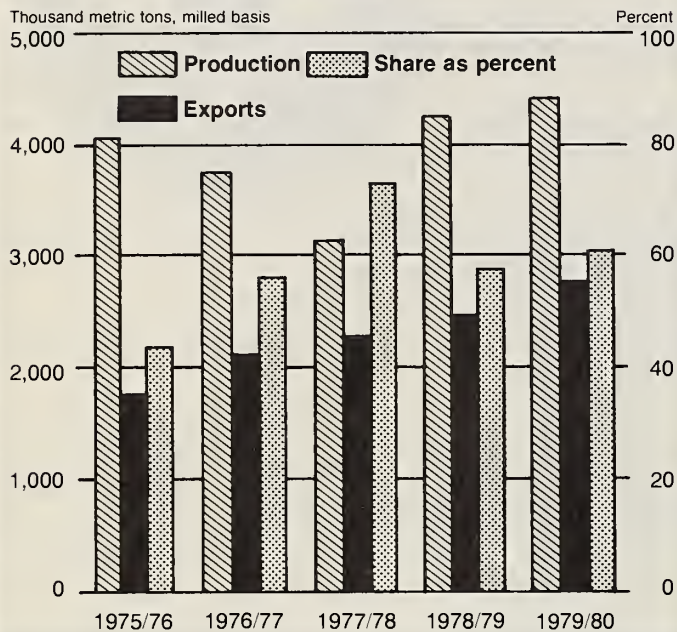
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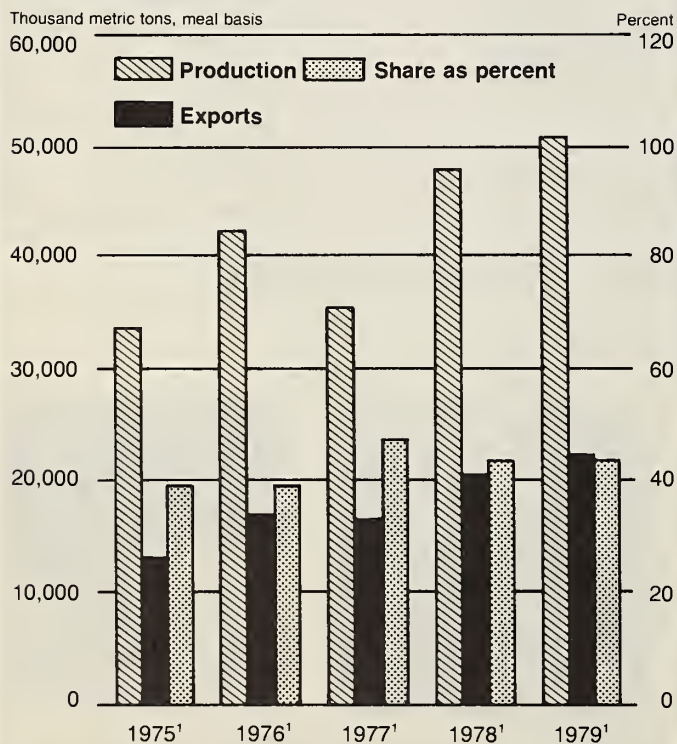
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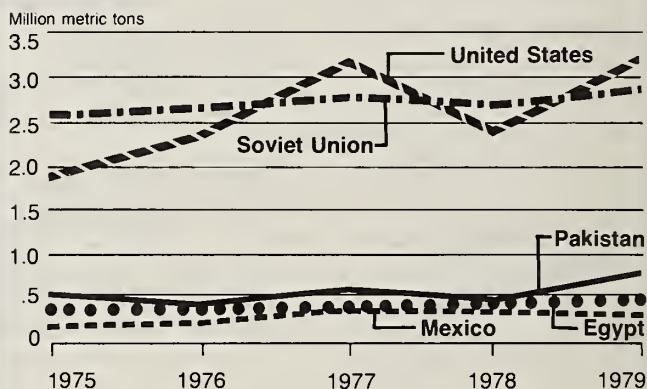
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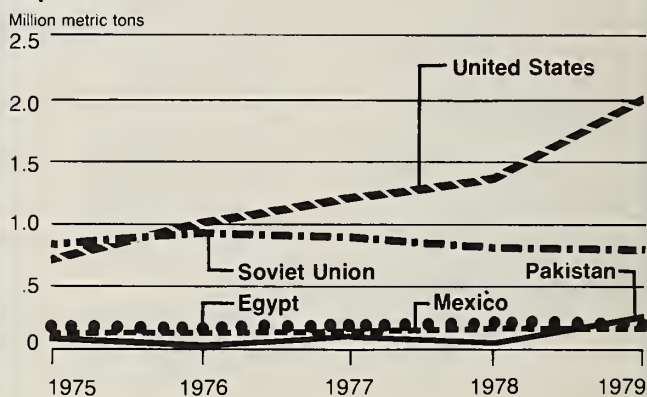
¹Sept.-Aug. year.

World Cotton Production and Exports¹ by Five Top Exporters

Production

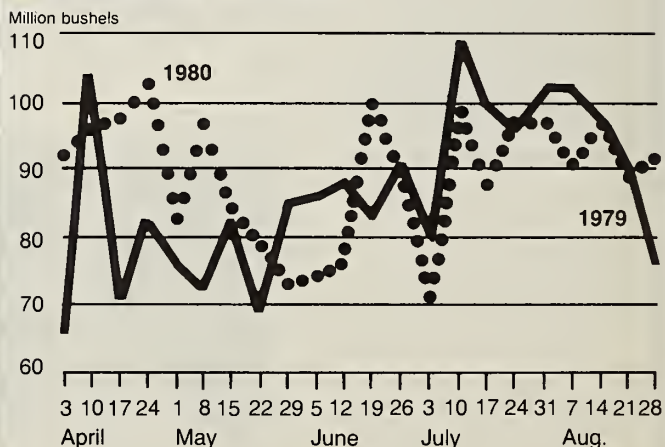


Exports



¹August-July crop years.

Weekly Inspections of U.S. Grains¹ and Soybeans for Export²



¹Grains include corn, wheat, sorghum, barley and oats.

²Week ending on date given.

COMMODITY UPDATE

AFTER NEARLY 3 WEEKS OF DISCUSSION, COFFEE PRODUCER AND CONSUMER MEMBERS of the International Coffee Organization agreed to support world coffee prices through the use of export quotas for coffee year 1980/81 (Oct. 1-Sept. 30). The major element of the agreement, reached Friday, October 3, is an initial global quota of 57.37 million 60-kilogram bags, including 55.07 million for members entitled to a basic quota, and 2.3 million for exporting members exempt from such quotas.

The quota is subject to three cuts of 2.4 percent (1.4 million bags) each, as prices fall from a price-range midpoint of \$1.35 to \$1.15 per pound or less for 20 consecutive market days. Cuts would be restored at \$1.20 and \$1.35; then the global total would be expanded in three similar increments as the price rises to \$1.50 and then to \$1.55 per pound for two consecutive periods of 20 marketing days each. Beyond this figure, the quota would be suspended.

Seventy percent of the annual quota for 1980/81 for exporting members is based on exports during coffee years 1976/77 and 1977/78, and 30 percent are on stocks held by these countries. When the 20 day moving average indicator price stands between \$1.35 and \$1.20 per pound, as it now does, 2.4 percent of the export duty stamps cannot be released. Because of this, the global quota is currently 56 million bags.

MILK PRODUCTION IN 1980 FOR 36 MAJOR PRODUCING COUNTRIES IS EXPECTED TO BE UP about 1 percent from the revised 1979 total of 408.3 million metric tons. Similar small gains were made in both 1978 and 1979, but were well below the 3 percent increase in 1977. The apparent slowdown in growth of world milk output can largely be attributed to declines in USSR production over the past 3 years. However, in 1981 Soviet milk output should be on the upswing if — as expected — roughage supplies going into next year are considerably better than in late 1979.

Butter production for 1980 in the 36 countries is expected to remain near the 6,078,000 tons of 1979. Stocks, on the other hand, are likely to continue accumulating and by yearend may reach 846,000 tons, a gain of 62,000 tons (or 8 percent) over January 1980 levels.

Cheese output for 1980 may total around 9.0 million tons, up 3 percent from the 1979 level. Prospects point to continued growth in cheese manufacture next year. The anticipated recovery in the United States and European economies should help strengthen consumer incomes and demand for cheese in 1981. Also, prices for competing red meats are likely to be higher next year.

Production of nonfat dry milk (NFDM) for 1980 is estimated at 4.3 million tons, a 3 percent gain over the 1979 total. Stocks are projected to be near the 800,000-ton level by yearend, up 5 percent but well below the record 1976 level of 2 million tons. Prospects for 1981 indicate the United States will produce about the same amount of NFDM but stocks could increase further.

THE 1980/81 WORLD ALMOND CROP IS ESTIMATED AT 242,300 METRIC TONS (shelled basis), up 11 percent over last season's improved outturn. Larger crops in Spain, Italy, and Portugal will more than offset slightly reduced crops in the United States and Turkey.

The world filbert crop in 1980/81 is expected to total 405,700 tons (inshell basis), off slightly from last year's crop and the second consecutive decline from the record crop of 1978. Reduced output in Turkey will be offset by a larger Italian crop.

THE WORLD GRAIN SITUATION TIGHTENED FURTHER IN OCTOBER AS PRODUCTION PROSPECTS for food and feedgrains have declined and world utilization estimates remain strong. As a result, carryover stocks at the close of 1980/81 are now expected to fall by some 20 percent below last year's level.

World wheat stocks, which were previously expected to increase slightly this year, are now expected to be off 7 million tons, owing to a decline in production prospects. Coarse grain stocks are expected to be off 30 million tons from the year-ago level, with nearly all of the decrease occurring in the United States. Estimated world rice stocks are largely unchanged from those of a year ago.

With continued strong demand, world grain trade is now expected to reach 204 million tons, up significantly from previous forecasts and from last year's level. Factors that could further affect the 1980/81 outlook and the volume of ending stocks in future months include the Southern Hemisphere crop outturn, and imports — especially by China and the Soviet Union. With this year's carryover stocks estimated at one of the lowest levels in the past 10 years, the outcome of the 1981/82 harvest becomes more critical than in recent years.

WORLD TOBACCO PRICES ROSE SLIGHTLY DURING 1979, REFLECTING STAGNANT world leaf consumption and excessively large supplies of some types. The consumption plateau is reflected in the relatively small increase (1.8 percent) in world cigarette production and the 2 percent decline in leaf exports last year.

Flue-cured grower prices worldwide increased at a slower rate than in previous years, the result of an oversupply of cigarette filler tobacco. In the United States, average flue-cured prices rose 4 percent during 1979, compared with a 14 percent increase during 1978.

World producer prices for burley were the exception, however, and they continued to rise at a sharp rate. The supply of burley leaf has not kept pace with the growing burley demand. Prices in Mexico were up by 13 percent; in Brazil by 37 percent; in Italy by 15 percent; and in Korea by 22 percent.

Current export prices also demonstrate the sluggish world demand for leaf tobacco. Prices in Brazil rose 3 percent from the 1978 level, those in Italy, and Korea fell 2 and 9 percent, respectively. U.S. export prices rose 8 percent in 1979, compared with 11 percent in 1978. The outlook is for grower prices to remain sluggish in 1980, in some instances dropping lower than in 1979. In the 1980 season, flue-cured grower prices in Malawi and Zimbabwe were below 1979 levels. U.S. flue-cured prices have averaged only slightly above the support price for most grades.

WORLD 1980/81 COTTON PRODUCTION IS NOW FORECAST AT 63.5 MILLION BALES (480 lb net), up slightly from the September forecast. Based on the FAS *World Crop Production Circular* of October 10, foreign prospects are slightly better and U.S. prospects slightly worse than in the previous month.

U.S. cotton production is estimated at 11.6 million bales, 21 percent less than the large 1979/80 crop and 1 percent below the September forecast. Soviet production is now estimated at 13.5 million bales and the USSR harvest continues under favorable weather conditions. Chinese production is unchanged at 10.3 million bales.

WORLD OILSEED PRODUCTION IS ESTIMATED AT 162 MILLION METRIC TONS, down 15 million tons from the 1979/80 crop level, and 3 million tons less than the September estimate. Most of the downward revision is accounted for by declines in U.S. soybeans and peanuts. Foreign oilseed estimates are essentially unchanged from the September estimate.

U.S. 1979/80 exports of soybeans rose 18 percent higher than those of the previous crop year. Exports to the European Community were up 25 percent with the Netherlands accounting for most of the gain. Shipments to the People's Republic of China and Spain also rose significantly.

Soviets Scour World Market For Sugar in Face of Short Domestic and Cuban Output

By James R. Brow



The USSR has jumped headlong into the commercial world market for sugar following disappointing results from its domestic sugarbeet crop and sharp reductions in availabilities from its premier sugar supplier, Cuba. As a result, the value of Soviet imports of sugar from non-Communist countries this year could soar to nearly 10 times the \$67 million worth imported in calendar 1979, while world prices continue at high levels sparked in part by the sub-

stantially higher level of Soviet buying.

This shift is dramatically changing the face of Soviet sugar trade, which normally hinges on supplies obtained from Cuba and other Communist sources operating outside the world market. Out of last year's import of 4.1 million metric tons, Cuba supplies 3.7 million tons, and other Communist countries, about 60,000. But in calendar 1980, the USSR may receive only 2.5-2.7 million tons from Cuba which means 1.4-1.6 million tons must be purchased commercially if the country is to match its 1979 import. If the gap is not bridged—and the USSR's 1980 sugarbeet crop also is on the low side, as expected—the Soviets will be unable to realize their near-term goals for sugar production.

Cuba's short supplies derive from severe disease problems in the country's sugarcane crop and a consequent decline in output to around 6.4 million tons in 1979/80 and again probably in 1980/81. This compares with a normal harvest of about 7.2 million tons. With Cuba's exportable supply thus sharply restricted, Soviet imports of Cuban sugar through January-May 1980 fell about 21 percent below those in the same period of 1979 to 2.4 million tons. Moreover, it now looks as if total 1980 imports from Cuba may be only 100,000-300,000 tons above that 5-month figure, for a decline of a million tons or more from the calendar 1979 level.

The USSR's search for alternative supplies got off to an early start, as the country initially sought to make up for its reduced 1979 harvest of sugarbeets. In January-February 1980 alone, USSR sugar imports rose to 1.1 million tons from only 537,000 in January-February 1979. Some 611,000 of this came from Cuba, compared with 516,000 in the previous year. However, the 1980 total also included around 400,000 tons from Brazil, Thailand, and the European Community against none from the first two in the same period of 1979 and only 7,500 from the EC.

In addition, the United States made its first sugar sale to the USSR since the 1940's—8,180 tons valued at \$4 million. (Sugar is not included in the list of agricultural commodities suspended for export to the USSR.)

This heavy commercial buying contributed to a fourfold more than rise in the world price of sugar between September 1979 and November 1980. In September 1979 prior to the large Soviet imports, sugar prices on the New York Coffee, Sugar, and Cocoa Exchange stood at 9.7 cents a pound. By January 1980, they were up to 17.9 cents; and by late October had surpassed 40 cents.

As a result, Soviet sugar imports (raw basis) from non-Communist countries in January-February 1980 alone were worth \$141 million, compared with \$67 million in all of 1979. Should total imports this year approach the 4.1 million tons purchased in 1979, value could surpass \$500 million. And this is after subtracting the value of sugar imported under barter and bilateral arrangements with Cuba and other

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Communist countries.

Past trade actions by the USSR further suggest that a shortfall in its 1980 sugarbeet crop could spark another round of purchases in the already-tight world market.

While Cuba's sugarcane shortfall has temporarily altered the pattern of Soviet trade, lagging domestic production of sugarbeets poses the greater threat to the USSR's sugar supply.

The USSR is the world's leading sugarbeet producer. Yet its domestic sugar output consistently falls some 4-5 million tons short of annual consumption requirements, with results in 1979—and probably again in 1980—unusually disappointing.

The 1979 crop of 76 million tons was some 17.5 million tons below the previous year's and 21.2 million shy of the 1979 production target. As a result, Soviet farmers delivered only 69 million tons of sugarbeets to the State for processing, compared with 80 million in 1978 and 85 million in 1977.

This small domestic beet crop, plus a reduced beet sugar extraction rate, cut total USSR sugar output last year to 10.6 million tons—1.6 million below output in calendar 1978.

Moreover, little improvement is seen for the supply in 1980/81. Whereas the 1979 sugarbeet crop was

reduced sharply by early summer drought and high temperatures (followed by an autumn freeze), the 1980 crop suffered under the effects of generally cool, rainy weather during the spring and summer. This unfavorable weather led to a record-late spring seeding campaign, which was delayed by 2-4 weeks in the major producing regions of the Ukraine and Central Chernozem zone.

More recent Soviet press items encouraged Soviet growers to postpone the start of beet lifting until late September in an attempt to increase sugarbeet size and sugar content. While the total size of the crop could get a boost from this policy decision, delays in harvesting could be risky, considering the poor fall weather (rain, early frosts) that often plagues the sugarbeet harvest.

Normally, the harvest begins about September 10-15, at which time farmers are encouraged to harvest and send to beet-processing plants no more than a 2-3 day supply of beets. This is enough to initiate and maintain processing operations in the country's 324 factories. The mass harvest usually begins in the last half of September and continues into November. Press reports through late September indicated that the beet harvest began later than in most years

but had picked up to the point that it was only about a week behind the average pace for 1974-79.

As of mid-October, the 1980 crop was estimated in the 75-80 million-ton range, compared with the 1979 crop of 76 million tons and far below the planned output of 98.4 million. Considering the climatic conditions encountered this spring and summer, prospects for a high average sugar content also cannot be considered good at this time.

As a result, calendar 1980 beet sugar production may be below the 7.3 million tons of 1979 and will be well below this year's target of 9.203 million tons.

Even if the Soviets were in a position to meet that target, they would have to import more than 3.5 million tons of raw sugar to achieve their 12.7-million-ton goal for total sugar production. Now, with domestic beet sugar production likely to be well below plan, 1980 imports would have to reach 4.5 million tons or more—an unlikely occurrence given the short Cuban crop and tightening world supply.

These supply difficulties, coupled with uncertain prospects for Cuba's 1980/81 cane output, suggest that USSR demand for white and raw sugar imports will remain strong through 1981. □

USSR Sugarbeet Production and State Procurements 1975-80

[In million metric tons]

| Year | Production | Procurements |
|------------------|------------|--------------|
| 1975 | 66.3 | 61.9 |
| 1976 | 99.9 | 85.1 |
| 1977 | 93.1 | 84.9 |
| 1978 | 93.5 | 80.1 |
| 1979 | 76.0 | 69.0 |
| 1980: Estimate . | 75-80 | 70-72 |
| Plan | 98.4 | 91.0 |

USSR Sugar Production,¹ 1975-80

[In million metric tons]

| Year | From domestically produced beets | |
|------------------|----------------------------------|-----|
| | Total | |
| 1975 | 10.4 | 7.4 |
| 1976 | 9.2 | 6.2 |
| 1977 | 12.0 | 8.2 |
| 1978 | 12.2 | 8.6 |
| 1979 | 10.6 | 7.3 |
| 1980: Estimate . | 10.5 | 7.0 |
| Plan | 12.7 | 9.2 |

¹Includes sugar processed from domestically produced sugarbeets and from imported raw sugar.

USSR Sugar Imports, 1977-79, January-February and January-May 1979 and 1980

[In metric tons, raw sugar basis]

| Source | 1977 | 1978 | 1979 | January-February | | January-May | |
|----------------------------------|-----------|-----------|-----------|------------------|-----------|-------------|-----------|
| | | | | 1979 | 1980 | 1979 | 1980 |
| Argentina | 0 | 12,199 | 0 | 0 | 12,501 | — | — |
| Austria | 0 | 0 | 0 | 0 | 2,204 | — | — |
| Brazil | 24,188 | 83,270 | 68,969 | 0 | 211,580 | — | — |
| Cuba | 3,652,000 | 3,797,337 | 3,706,767 | 515,783 | 611,294 | 3,026,973 | 2,404,203 |
| Czechoslovakia | 0 | 0 | 38,973 | 5,821 | 3,428 | — | — |
| Dominican Republic | 0 | 45,923 | 0 | 0 | 0 | — | — |
| European Community ... | 248,772 | 39,632 | 235,224 | 7,503 | 127,227 | — | — |
| El Salvador | 0 | 0 | 0 | 0 | 26,016 | — | — |
| GDR | 0 | 0 | 0 | 0 | 10,826 | — | — |
| Guatemala | 0 | 12,003 | 0 | 0 | 0 | — | — |
| Hungary | 0 | 1,714 | 10,837 | 8,402 | 13,880 | — | — |
| Philippines | 634,998 | 0 | 0 | 0 | 19,224 | — | — |
| Poland | 0 | 1,385 | 1,516 | 0 | 3,248 | — | — |
| Romania | 164,475 | 0 | 6,843 | 0 | 0 | — | — |
| Thailand | 0 | 0 | 11,176 | 0 | 68,556 | — | 73,807 |
| United States ¹ | 0 | 0 | 0 | 0 | 0 | 0 | 8,180 |
| Yugoslavia | 0 | 0 | 0 | 0 | 5,413 | — | — |
| Other | 51,338 | 0 | 0 | 0 | 0 | — | — |
| Total | 4,775,771 | 3,993,463 | 4,080,305 | 537,509 | 1,115,397 | — | — |

— Denotes not available.

¹Reported in trade statistics from the U.S. Census Bureau.

SOURCE: *Interim Monthly Statistics*, International Sugar Organization, 8/6/80.

Transportation a Crucial Link To Achieving Canada's Grain Export Goals

By Mary Anne Normile

Canada, like the United States, has its sights on greatly expanded farm trade in the years ahead and has made transportation improvement a top priority in its push toward exporting 30 million metric tons of grains and oilseeds by 1985. Recent improvements in railcar capacity contributed to a record for such exports in 1979/80, offering promise for growth in a trade that earlier had been blighted by transportation tieups and delays.

However, achievement of any sizable expansion in trade still hinges on overcoming numerous problems. These include rapid deterioration of a boxcar fleet that is still important to parts of the country, port congestion and inadequate storage at west coast ports, and controlled rail rates that discourage expansion and improvement.

Canada shipped 21.7 million tons of grains and oilseeds during the crop year that ended July 31, 1980, exceeding the previous record of 20.5 million tons exported in 1972/73. Shipments from all ports exceeded those of the previous year, with notable increases at Prince Rupert (21.7 percent over 1978/79) on the Pacific Coast and Thunder Bay (28 percent) on Lake Superior.

That performance was in sharp contrast to the situation prevailing during the 2 previous years, when sales contracts were canceled or deferred owing to shipping bottlenecks. An estimated Can\$1 billion was lost to farmers in 1977/78 and 1978/79 when transportation difficulties forced delays in shipments.

Opportunities for new sales were lost as the Canadian Wheat Board declined to bid on export contracts since delivery could not be assured.

In response to this difficult situation, the Canadian Government pledged to improve the grain handling and transportation system with a goal of increasing grain and oilseed exports by 50 percent in the next 5 years to a level of 30 million tons by 1985.

A number of factors combined to ease transportation difficulties and allow a banner year for Canadian grain exports. In addition to an increased supply of grain railcars, the slowdown in the general economy freed for grain use a number of general-purpose boxcars normally used to transport other merchandise. Canadian Pacific (CP) Rail also made available a large number of potash cars idled due to the economic conditions. Last year was characterized by an absence of the kinds of labor- and weather-related slowdowns that have occurred in other years, and a mild winter permitted the earliest opening of the St. Lawrence Seaway on record.

Economic conditions in the United States also contributed to increased shipments of Canadian grain out of Thunder Bay. Reduced U.S. demand for Canadian iron ore helped ease congestion in the Great Lakes. Canadian lakers usually transport grain east to St. Lawrence transfer elevators and bring iron ore from Quebec west on the return trip. Decreased traffic in iron ore accounted for a reduction in turnaround time for lakers from 21 to 15 days. The suspension of sales of U.S. grain to the USSR may also have helped expedite shipments of Canadian grain, owing to decreased competition for lake vessels by U.S. grain shippers.

Chronic rail car shortages and grain scheduling problems in past years have been the most obvious aspect of grain transportation difficulties. The

railways have refused to add new rolling stock to the grain fleet, most of which consists of 30-year-old boxcars. These cars are being retired at a rate of about 1,800 per year, according to the Canadian Wheat Board. The Federal Government has intervened in the provision of railcars for grain transportation by undertaking a program of purchasing new aluminum and steel hopper cars. These cars have a higher capacity than the old grain boxcars, carrying 90 or 100 tons of grain, compared with 50 to 60 tons for the boxes.

The first 2,000 hopper cars were ordered by the Federal Government in 1972, and by 1977, 8,000 of these cars were operating in the grain service. The cars were allocated to the two major railways exclusively to transport grain. In 1971/72, the Federal Government began a series of boxcar rehabilitation programs. The cost of refurbishing boxcars for grain service was shared by the Government and the railways, with the result that 7,400 boxcars have been added to the grain fleet since the repair program began.

Hopper car numbers also grew in 1979/80—by 2,000 cars purchased by the Canadian Wheat Board for grain traffic. The Manitoba Government added another 653 cars under the provisions of a 1-year lease arrangement. The railcar situation should improve further in 1980/81 as 2,000 new hopper cars promised by Alberta and Saskatchewan Governments come on line. The Federal Government has leased an additional 2,000 hopper cars for 25 years at a cost of \$10 million per year, to be put into service in 1980/81.

Given these additions to the hopper car fleet and the balance of boxcars targeted for repair, the Grain Transportation Authority estimated that the grain car fleet will peak in September 1981 at approximately 28,000 cars, about half of which will be the larger capacity hopper cars. However, if no further additions are made, car numbers are expected to decline rapidly, owing to the high attrition rate of the aging boxcars.

As the new, larger capacity hopper cars replace the aging boxcar fleet, grain fleet operations will become more efficient, both because of increased car capacity and reduced car cycle times. Hopper cars do not have to be fitted with special grain doors,

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which grain-carrying boxcars require. Hopper cars are also easier and faster to unload, since they do not require the special dumping and cleaning equipment at terminals necessary for boxcars.

However, there are limits to the economies that can be realized by replacing boxcars with hopper cars. Many of the branch lines are weight-restricted lines that cannot carry a fully loaded hopper car. Service on these lines is limited to boxcars, lighter weight aluminum hopper cars, or partially loaded steel hoppers. Furthermore, Canadian National's (CN) line to the port of Churchill on Hudson Bay is lightweight rail built on discontinuous permafrost, which can handle only boxcars. Hence, boxcars will not be completely eliminated from the grain fleet in the foreseeable future.

With the easing of the railcar shortage, the most critical problems now lie in the capacity of west coast terminals to unload, store, and process grain. Historically, the average share of exports of grains and oilseeds moved through Vancouver and Prince Rupert has been approximately 40 percent. By 1985, the west coast share is expected to grow to 55 percent, reflecting the belief that the lion's share of export growth will come from markets in the Pacific rim.

Rail unloading capability has been a severe constraint to terminal throughput at Vancouver. In 1978/79, the railways supplied cars at a faster rate than they could be unloaded, resulting in congestion in the terminal yards. A CN official estimated that existing terminal capacity at Vancouver required the railroad to keep "a minimum of 500 cars waiting at the terminal with often an additional 1,500 en route—all acting as movable storage facilities." He noted further that "addition of more railcars without some parallel improvement in the acceptance rate at ports would generate further terminal congestion."

As many as 20 ships have been waiting at one time to load in Vancouver harbor because the port's ability to receive, unload, and clean grain has at times lagged behind shipping capacity. Moreover, limited storage capacity makes it difficult to match grain supplied in railcars with the requirements of vessels in port. Grain storage capability is further constrained by the multiplicity of

grades, types, and qualities of grain, as the need for a large number of bins to segregate grains effectively reduces the working storage capacity.

Grain cleaning capacity is a major bottleneck at many terminals. Terminal elevators cannot clean grain to export standards at the rate they are able to receive grain. Cleaning grain to export standards sometimes requires multiple passes of the grain over the cleaners.

Many observers believe that foreign matter tolerances could be increased with no negative impact on the competitive position of Canadian grain in the world market, and throughput capability could thus be increased. Grain could also be cleaned at inland terminals, which would help ease the cleaning backlog at Vancouver.

Reductions in terminal yard congestion and car turnaround time have been achieved by pooling grain cars carrying grain for the Canadian Wheat Board. Under the grain car pooling program, grain delivered to the port can be unloaded at any terminal regardless of the company of origin. The Grain Transportation Authority has proposed an experimental program of extending the carpooling arrangement to include rapeseed. The expected benefits from this program include a 1-day reduction in car turnaround time by reducing sorting in terminal yards. Pooling also helps alleviate elevator congestion by distributing grain supplies more uniformly among elevators.

Limited storage capacity at Vancouver has been eased somewhat by the opening this past spring of the new 108,000-ton Pioneer Grain terminal. However, more improvements will be needed by 1985 in order to ship the projected increased volumes. Better coordination of grain arriving in cars with grain required by vessels would ease throughput constraints somewhat. However, the expected increase in the volume of grain to be shipped from the west coast will make coordination more difficult and increased storage capacity and improved handling facilities more crucial.

Mainline capacity restrictions to Vancouver make Prince Rupert an attractive alternative for the construction of additional storage and terminal elevator facilities on the west

coast. Prince Rupert is served at present by only a CN line, which is currently running at only 25 percent capacity. Furthermore, Prince Rupert is 1 day's sailing time closer to Canada's principal grain customers than is Vancouver.

This year, the Canadian Government turned over a 2.25-million-bushel elevator to a consortium of six farmers' cooperatives and private grain companies. Throughput subsequently rose by 30 percent, enabling Prince Rupert to increase shipments by nearly 22 percent over the previous year's levels.

The Government's elevator transaction was part of a larger deal under which the Prince Rupert Grain consortium will build a new 8-million-bushel facility on Federal land at Ridley Island, south of the city of Prince Rupert. The new elevator is scheduled to be completed by 1985 at a cost of \$200 million and should increase the port's throughput capacity by 3.5 million tons annually.

Thunder Bay, on the Canadian north shore of Lake Superior, is the largest of the grain-handling ports. Its 12 elevators handle about 50 percent of the grain exported from Canada. The bulk of the grain is loaded into lake vessels specially designed for navigation in the Great Lakes and St. Lawrence Seaway. These lakers then carry the grain to transfer elevators on the St. Lawrence, where it is transferred to ocean vessels. Approximately 10 percent of the grain received at Thunder Bay is loaded directly into ocean vessels and a very small percentage is railed from Thunder Bay to port elevators on the Atlantic Coast. Most of these rail shipments occur in winter when Thunder Bay is frozen.

In spite of the seasonal nature of Thunder Bay operations, terminal facilities and storage capacity are considered adequate to handle the volumes of export grain forecast for 1985.

No near-term growth of grain exports is foreseen for the Hudson Bay port of Churchill. Shipping is confined to a brief 12-week season since this northern port is frozen during the rest of the year. Owing to track load limitations, only cars from the dwindling boxcar fleet can be used in transporting grain. Moreover, discontinuous permafrost under the roadbed presents an engineering challenge to upgrading the rail line.

The CP and CN main lines to Vancouver are considered to be close to capacity already. Additional investment in mainline capacity is likely to be necessary to accommodate the projected increase in grain traffic by 1985. One such proposed investment project involves construction of a tunnel in the Rogers Pass area of the CP Rail mainline between Calgary and Vancouver. Traffic is currently restricted to 30 trains per day, which require helper locomotives to push them up steep grades in this area. The reduction in grade levels from the tunnel construction will reduce the need for additional motive power and increase the number of train runs through Rogers Pass to 38 per day. The future of this project is in doubt, however. CP Rail has stated that it will not undertake the \$300-million project unless additional funds are forthcoming.

A proposed doubletracking of the CN mainline between Winnipeg and Vancouver would permit a doubling of the number of train runs on that line at a cost of \$800 million. While some doubletracking work is underway, the costlier construction will be contingent on the availability of financing.

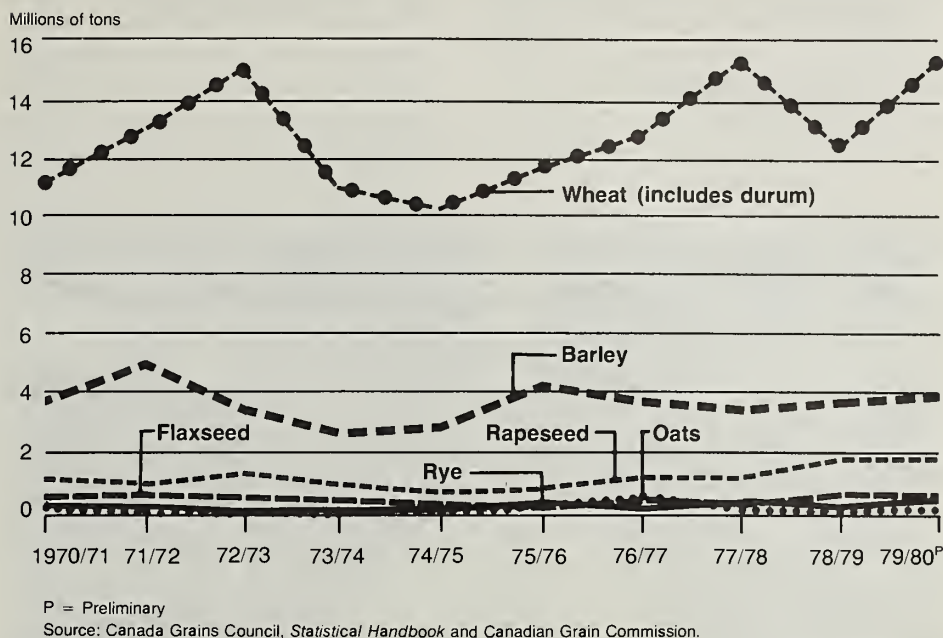
Some problems remaining in the grain-handling and transportation system are likely to constrain throughput between 1981 and 1985. Grain movement through the Great Lakes has been projected at 17 million tons for 1985, compared with approximately 12 million shipped last year.

The Canadian Dominion Marine Association has estimated that 10 lake vessels could be added to the current fleet of 85-90 ships in the coming decade to accommodate expected increases in grain and other commodity shipments. However, future additions to the fleet may be jeopardized by a recent Government decision to reduce a subsidy on shipbuilding.

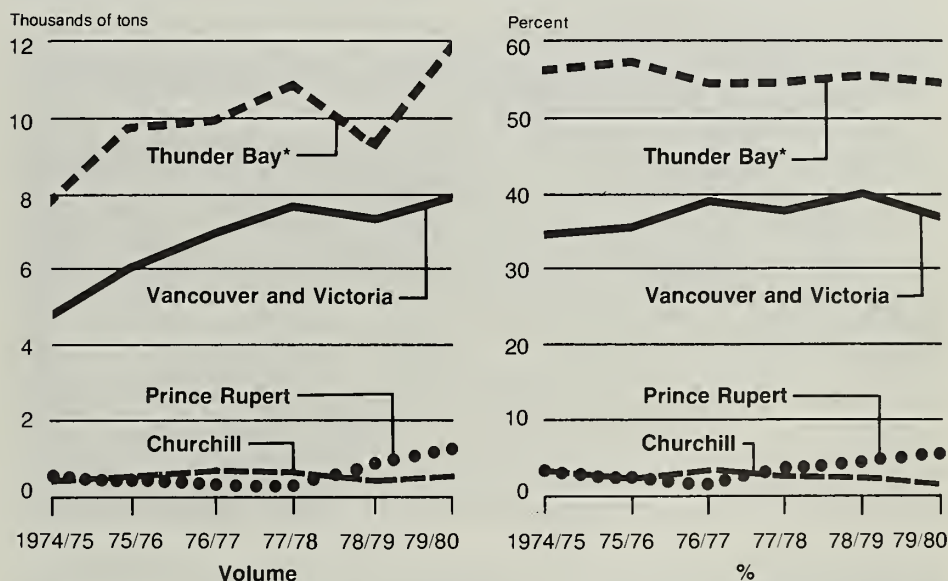
Moreover, with Locks and Dam 26 on the upper Mississippi currently operating at capacity, any gain in U.S. grain exports from this region will likely be shipped through the Great Lakes during the shipping season—mid-December to April—increasing the likelihood of competition for space in lake vessels. Competition for lakers will also be strong from shippers of other bulk commodities, such as coal, iron ore, potash, and sulphur.

Continued on page 32

Canadian Grain Exports, 1971-80



Exports of Principal Western Canadian Grain by Port



*Includes shipments from Atlantic ports

Source: Canadian Wheat Board *Annual Report*, various years; Canadian Grain Commission *Grain Statistics Weekly*

Size and Composition of the Canadian Grain Car Fleet, 1976-80

[Numbers]

| Year | Boxcars | Hopper cars | Total |
|------------|---------|-------------|--------|
| 1976 | 20,000 | 6,000 | 26,000 |
| 1977 | 15,000 | 8,000 | 23,000 |
| 1978 | 14,000 | 8,000 | 22,000 |
| 1979 | 12,500 | 8,000 | 20,500 |
| 1980 | 15,425 | 10,653 | 26,078 |

¹It is estimated that an additional 1,300 general-purpose hopper cars were made available for grain service by the railroads in 1980 owing to the economic slowdown in other sectors of the economy.

Demand for Protein Feed Imports Strong in France

By Turner L. Oyloe



Top: Young bulls on feed in France. Center photo: Part of a stock farm in the Charolais region, Burgundy. Bottom: A dairy in Normandy. To maintain and expand its livestock sector, France is importing more nongrain feeds and proteins.

France appears likely to continue significant reliance on imported soybeans and other high-protein feed components—largely from the United States and Brazil—for its expanding livestock and poultry industries.

The alternative to these imports would be a substantial jump in domestic output of protein-rich feed items. However, such a move probably would displace France as the leading European Community (EC) producer and exporter of grains, and could result in sharply higher feed costs for French livestock producers.

Oilseeds and oilseed products are France's major agricultural import commodities. In 1979, about 1.4 million tons of oilseeds and 3.2 million tons of oilseed meals were imported.

Soybeans accounted for 870,000 tons of the oilseed total, and soybean meal for 2.6 million tons of oilseed meal imports.

Exports of oilseeds and meals totaled about 375,000 tons. The deficit for oilseeds and meals was about 4.2 million tons in 1979.

The United States is the major supplier of soybeans, peanuts, and sunflowerseed—the major sources of feed protein supplements—for the French market. In January-June 1980, French imports of soybeans totaled 520,000 tons—essentially all from the United States.

In the same period, France imported 82,100 tons of peanuts, including 70,800 tons, or 86 percent, from the United States, which also was the source of 47,600 tons of sunflowerseed imports, or 74 percent of the sunflowerseed import total.

During the first half of 1980, Brazil supplied France with 664,000 tons of soybean meal, or slightly more than 51 percent of the total. The United States was the second largest supplier, with shipments of 235,000 tons. Other EC countries supplied most of the rest of France's soybean meal imports.

Relative price is the principal factor in determining France's choice of imported or domestically produced feed components. Recent French prices of \$220.88 per ton for wheat and \$221 for corn are relatively high compared with prices paid for imported soybean meal (50 percent protein) of \$295 per ton.

The author is U.S. Agricultural Counselor in Paris.

In France, the price of soybean meal to producers is about 33 percent higher than the price of corn, while in the United States, soybean meal prices are nearly twice the price of corn.

Livestock producers, eager to expand and obtain the economies of scale that normally result from increased production, are examining the potential for expanding French consumer demand for meat.

France is a deficit producer of certain meats, especially pork. Per capita consumption of red meat and poultry in France during 1979 was about 199 pounds, compared with about 247 pounds in the United States. However, the degree to which meat consumption could be increased in France and other EC countries is a complex question and involves more than simple supply-and-demand extrapolations.

Because soybean meal is not subject to EC import levies, French livestock producers have increased their consumption of this commodity very substantially. France's imports of oilseeds rose from about 920,000 tons in 1977 to an estimated 1.3 million tons in 1979—about 48 percent in 3 years.

Imports of oilcake and meal rose from 2.2 million tons in 1977 to about 3.1 million tons in 1979—a gain of 39 percent in 3 years. Soybeans and soybean meal were the major factors in this expansion, with imports climbing from 1.6 million tons in 1977 to 3.4 million tons in 1979—a jump of over 50 percent during the 3 years.

Without these additional feed inputs, it would not have been possible for France to expand its livestock production and thereby reduce its trade deficit in red-meat products.

French imports of other nongrain feeds also increased during the 3-year period. Imports of manioc, for example, jumped from about 200,000 tons in 1977 to more than 700,000 tons in 1978, but declined in 1979 to about 570,000 tons.

France's grain production has been trending up steadily in recent years—from 33 million tons in 1969 to 44 million tons in 1979. Most of this expansion occurred in the first half of the 1970's. Corn production nearly doubled—from more than 5 million tons to more than 10 million tons, and wheat output advanced by about 5 million tons.

Except for the drought year of 1976,

wheat and barley production since the mid-1970's has been trending upward modestly, while corn production has tended to stabilize.

The use of home-grown grain is an important factor in the French livestock economy. Regional sales of grain as a share of total production are a good indicator of the livestock industry's importance, although some grain sold by farmers comes back in the form of compound feed.

The low level of grain sales in Brittany reflects the relative importance of on-farm feeding in that livestock producing region. Off-farm sales are relatively high in the principal grain producing regions, but in the south and southeast, grain sales are low in relation to total production.

France's livestock production is concentrated in the western region, which in 1978 accounted for about 1.6 million tons of meat or about 37 percent of total French production. Other major meat producing regions are in Normandy and North Departments, and in southern France.

Some French livestock producers—especially those in the grain-deficit regions—have expressed interest in a program that would make grain as well as oilseeds available at world prices. Such a program is of particular interest to poultry producers, who question whether the present system of EC export restitutions works effectively for the most efficient producers.

Other livestock producers are concerned over the ability of the Dutch livestock industry to gain an advantage in production efficiencies related to purchase and consumption of nongrain feeds.

This situation arises in large part because of the efficient infrastructure for nongrain feed imports and use developed in the Netherlands.

Also, the highly developed transportation system of canals and railroads extending from the Netherlands to the population centers of northern France encourages sales of livestock products shipped from the north.

Each of these factors tends to disadvantage producers in the northwestern part of France—the main livestock producing region.

France, which is not quite self-sufficient in production of red meat, in 1978 had a total output of meat products amounting to about 4.4 million tons (carcass-weight equivalent). Beef (including veal) and

pork each accounted for slightly more than one-third of the total; poultry, 22 percent; and sheep meat, 4 percent.

In 1979, French exports of red meat and products amounted to 320,690 tons, while imports were 707,593 tons. The major deficits were in pork (192,881 tons), variety meats (95,222 tons), horse meat (56,742 tons), and lamb, mutton, and goat meat (41,249 tons).

Poultry meat exports were 194,500 tons, while imports amounted to only 18,300 tons.

Beef and veal imports and exports were about in balance.

A major milk surplus country, France in 1978 had an output of about 32.2 million tons. Exports of dairy products (whole-milk equivalent) were 1.211 million tons, and imports were only 263,000 tons.

Milk production is also concentrated in the major meat producing regions. The three major dairy producing departments—Brittany, Normandy, and Loire—in 1978 accounted for 42 percent of the country's total milk output. Concentration of milk production in this region is a result of several factors, including:

- The land is not well suited for crop production.
- The bulk of the milk produced is used for manufacturing, so relative remoteness from urban centers is not an important factor.
- The tradition of cheese and butter production is strong in this region.
- Proximity of the region to seaports makes possible ready access to imports of nongrain feed ingredients.

To maintain and expand the livestock base in France, imports of nongrain feeds and proteins continue to expand. Brittany and Normandy are major importers of these products.

In 1979, about 4.6 million tons of feed components were imported into France, including about 1.4 million tons of oilseeds, of which 870,000 tons were soybeans, plus about 3.2 million tons of protein meals, of which about 2.6 million tons were soybean meal.

Brittany and Normandy accounted for about 65 percent of total imports of these livestock inputs during 1979, while Bordeaux (in the southwest) and Marseilles (in the south)—areas that also require additional proteins to support their growing livestock industries—accounted for 21 percent of the total. □

U.S. Present in Force At Brazilian Livestock Show

For the first time, the U.S. presence was strong and clear during the 5th International Livestock Exposition at Porto Alegre—Brazil's showcase for top-quality livestock—that drew about 500,000 visitors.

With its roots reaching back to the 1930's the show in Rio Grande do Sul, Brazil's southernmost State, featured nearly 4,000 animals, including 2,900 head of cattle.

But, the key difference between the 1980 event (Aug. 27-Sept. 7) and its predecessors was the large number of representatives of the U.S. livestock industry that is beginning to sharpen its focus on the growing Latin American market. "Unlike the low turnout of the past few years, there were about 40 U.S. representatives at this show," remarked G. Stanley Brown, U.S. Agricultural Attaché to Brazil who engineered the impressive U.S. participation.

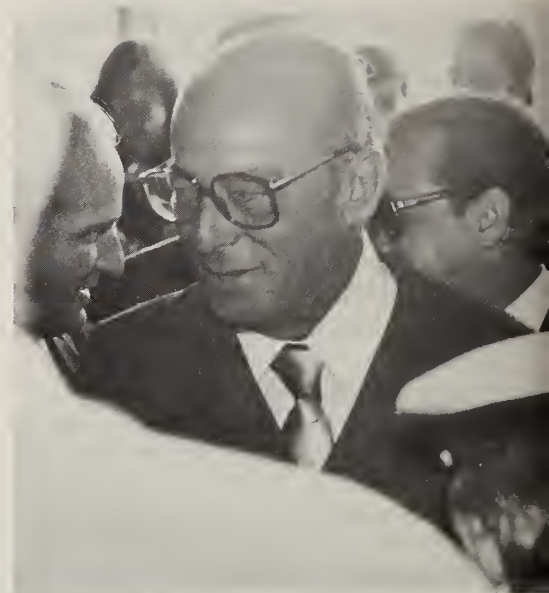
"Although I do not see any large immediate sales resulting from the show, I think our people established the contacts that will be invaluable in the future," Brown said. In all, representatives of nine U.S. foreign market cooperators, and marketing specialists from five State Departments of Agriculture participated.

Although only a few U.S. cattle and swine were shipped directly from the United States, U.S. bloodlines were in the forefront in all classes throughout the judging.

Another highlight at the show was the presentation of a working Western saddle on behalf of the U.S. livestock industry to Brazil's President João Figueiredo, by B.C. (Bud) Snidow, Assistant Secretary of the American Hereford Association, with U.S. Ambassador Robert M. Sayre on hand.

U.S. exports of semen to Brazil increased \$2.0 million last year from \$809,262 in 1978 while cattle exports, mostly breeding cattle, rose to \$1.7 million in 1979 from \$1.3 million a year earlier. Sales in 1980 have consisted mostly of semen exports. □

Scenes from the 5th International Livestock Exposition at Porto Alegre, Brazil, clockwise from right; Brazil's President João Figueiredo stops by the U.S. stand to be presented with a Western saddle—at left of President is U.S. Ambassador Robert M. Sayre; the three large and colorful spheres near the fairgrounds' entrance have become the symbol of the Esteio show; a Brazilian cattleman is proud of his Angus bull, which is descended from U.S. bloodlines; and a line of Herefords queue for the official inspection. This is Brazil's largest livestock show, held annually at Porto Alegre since 1955. Since 1972, an "International" show has been staged every 2 years here in Rio Grande do Sul, the cattle country of southern Brazil.



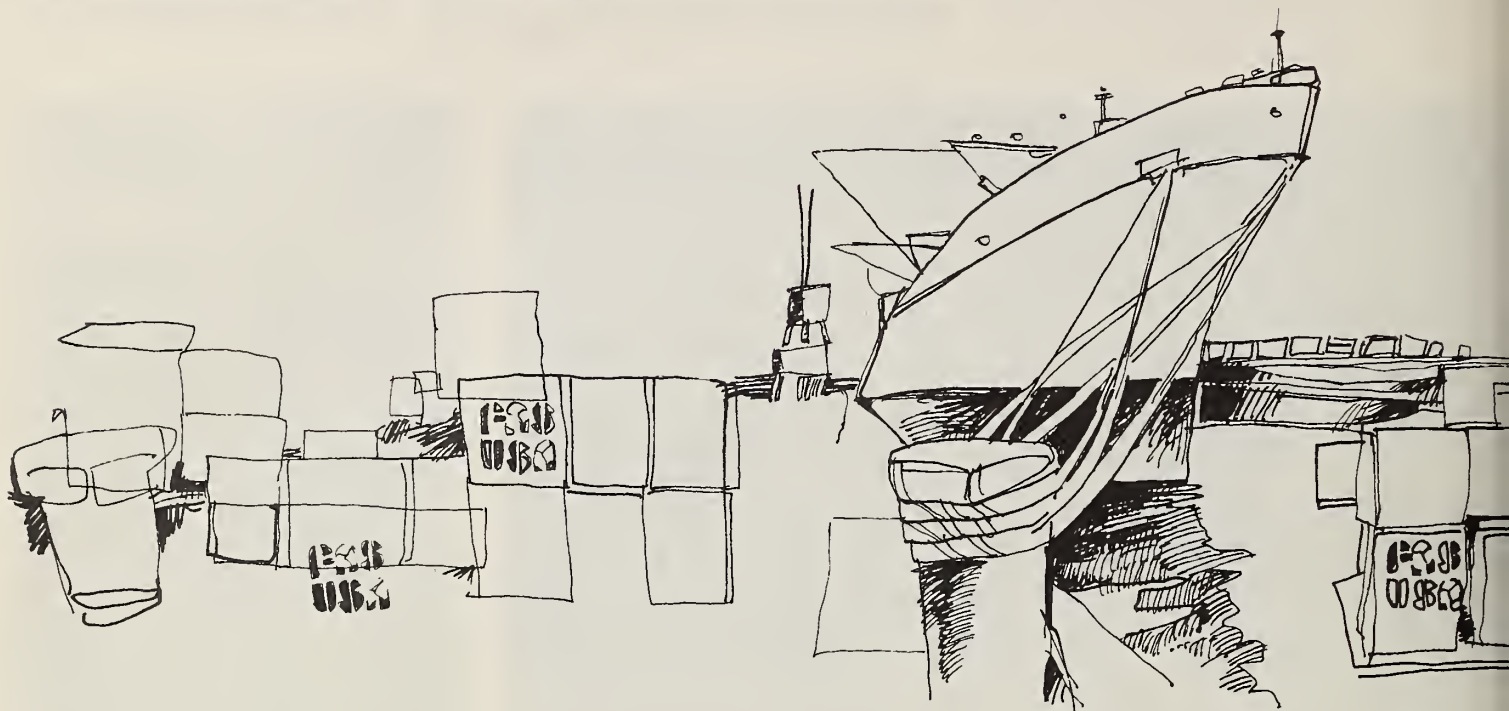
Text and photos by Aubrey Robinson,
staff writer, Foreign Agriculture.



Clockwise from top left: Before the "curtain call" in the main show rings, the "stars" get constant attention. Here, a young Angus at right is manicured while several Chianina-Zebu cattle are led to a refreshing drink; a handler brings a Holstein back to the barns after an exercise stroll; a large Hereford bull steps proudly back to his stall after the weigh-in; and a U.S. Yorkshire takes a well-deserved rest after winning champion honors in his class. A shipment of a dozen U.S. swine from the United States produced the champion and reserve champion in the final judging. A contingent of four Polled Hereford cattle, also shipped from the United States, garnered honors at Brazil's largest livestock show, held in Porto Alegre.

FAS/USDA Export Promotions

November 17, 1980-October 31, 1981



| Location | Dates | Type of event |
|--------------------------------------|------------------------|---|
| FRANCE Paris | Nov. 17-22 | SIAL—International Food Show. |
| CHINA Beijing | Nov. 17-28 | U.S.A. National Exhibition. |
| UNITED KINGDOM London | Nov. 24-25 | Solo exhibit, Agricultural Trade Office, for SIAL exhibitors. |
| CHILE Santiago | 1981 January | Attaché product display. |
| COLOMBIA AND PERU Bogota and Lima | January | Food sales team. |
| ITALY Rimini | Feb. 14-21 | International food exhibition. |
| CURAÇAO | February | Food sales team. |
| JAPAN Tokyo | Mar. 16-20 | Harumi International Hotel, Restaurant, and Institutional Exhibit. Full product line. Firm representation required. |
| EGYPT Cairo | Mar. 16-17 | Solo exhibit. Full product line. Firm representation required. |
| BAHRAIN AND SAUDI ARABIA | | |
| Jidda | Mar. 19-21 | Food sales team. |
| Riyadh | Mar. 22-23 | |
| Dhahran | Mar. 24-25 | |
| Manama | Mar. 26-28 | |
| FRANCE Paris | March | International Exhibition—Paris Agricultural Show. Livestock and feedstuff. |
| ITALY Verona | March | International Exhibition. Livestock and feedstuff show. |



| Location | Dates | Type of event |
|-------------------------------|-------------------------|---|
| SWEDEN Malmo | April | Food exhibit at hotel, restaurant, and institutional exhibition. Full product line. |
| NIGERIA | April | Attaché product display. |
| IVORY COAST Abidjan | April | Food sales team. |
| HONG KONG | Sept. 7-11 | Solo exhibit. Full product line. Firm representation required. |
| TAIWAN Taipei | September | Solo exhibit. Full product line. Firm representation required. |
| DOMINICAN REPUBLIC Bahamas | September | Solo exhibit. Full product line. Firm representation required. |
| ITALY Cremona | September | International exhibit. Dairy/livestock show. |
| PHILIPPINES Manila | (Dates to be announced) | Attaché product display. |
| KOREA Seoul | (Dates to be announced) | Food sales team. |
| SYRIA Damascus | (Dates to be announced) | Attaché product display. |
| WEST GERMANY Cologne | Oct. 10-15 | ANUGA. International exhibit. Full product line. |

For further information regarding these promotions, contact: William L. Scholz, Director, Export Trade Services Division, FAS/USDA; phone: (202) 447-6343.

Subsidized EC Poultry Exports Displace U.S. Product In Important World Markets

By Waldo S. Rowan

The European Community's Common Agricultural Policy (CAP) for poultry has had severe adverse effects on U.S. poultry exports over the years in markets where EC subsidies have been applied. However, by expanding poultry sales to markets where EC subsidies have not been applied in recent years, the U.S. industry pushed exports to a record high in 1979¹.

Now that the EC has reintroduced poultry subsidies on a worldwide basis, there is grave concern in the United States that all U.S. export markets eventually will be in jeopardy. The EC countries already have become the world's largest exporting group and the dominant supplier in markets where export subsidies have been applied consistently.

The outlook for the future could be even more foreboding if EC subsidies are applied to the fullest around the world.

The CAP is designed to support prices to EC producers by the use of import levies, export subsidies, and health and sanitary regulations. Import levies and other restrictions have drastically reduced U.S. poultry exports to the EC (except turkey parts), while competition from EC

subsidized poultry has severely limited U.S. exports to other Western European countries and the Middle East.

Primarily through the use of subsidies, exports of poultry meats² by EC countries to non-EC destinations increased from an average of 12,000 metric tons per year during 1961-65 to an estimated 283,000 tons in 1979; EC exports to the Middle East alone jumped from an average of 60 tons during 1961-65 to 144,000 tons in 1978. The impact on the U.S. share of the market was severe.

Although imports by the Middle Eastern countries grew at a phenomenal rate, U.S. exporters found it difficult to compete with EC subsidized poultry, with the result that the U.S. share of combined U.S.-EC exports to the Middle East took a free fall from 95 percent in 1961-65 to a mere 2 percent in 1978. Also, the U.S. share of U.S.-EC exports to the non-EC Western European countries declined from around 50 percent in 1961-65 to 10 percent in 1978.

The United States made big gains in exports to the Far East and the Caribbean countries, but during the period EC subsidies were applied to those areas (1962-74), the U.S. share of the market fell sharply.

The manner in which EC poultry subsidies have been applied explains some of the fluctuations in the U.S. share in various markets. The EC provided subsidies on exports of whole poultry and poultry parts to all non-EC destinations from the introduction of the subsidy in 1962 until July 1, 1974. At that time, the subsidy was eliminated on all poultry except whole chickens and applied only on exports to non-EC European countries, Middle Eastern countries, and certain

countries bordering the Mediterranean.

In September 1974, Cuba and the Canary Islands were added, and in 1975, the rest of Africa was added to the list of countries to which the EC would subsidize exports. On June 1, 1979, the subsidy was again applied to chicken parts, and on January 1, 1980, to turkey and turkey parts. Also, on January 21, 1980, the subsidy was again made applicable on a worldwide basis, except for exports to the United States.

For products and markets where EC subsidies have been continuous—namely whole chicken to non-EC European countries and the Middle East—U.S. exports have not been able to compete with subsidized EC exports. U.S. exports to non-EC European countries declined from an average of around 11,000 tons during 1961-65 to a little over 2,000 tons in 1978 and 1979, representing a drop in the U.S. share of combined U.S.-EC exports to this market from 50 percent to 10 percent.

The effect of the EC subsidy on U.S. exports to the Middle East has been even more drastic. For every 1,000 tons exported to the Middle East by the United States during 1961-65, the EC exported only 48 tons, whereas for every 1,000 tons exported by the United States to this market in 1978, the EC exported around 40,000 tons. There is no doubt that EC subsidized prices have considerably undercut U.S. prices, and EC exports have far exceeded any concept of equitable share.

Prices and subsidies on French exports to Saudi Arabia demonstrated how the EC subsidy has restricted the expansion of U.S. broiler exports to that market. (France is used as an

¹See June 1980 issue, *Foreign Agriculture*.

²The terms "poultry" and "poultry meat" refer only to fresh and frozen chickens and turkeys and their parts.

Mr. Rowan until recently was an agricultural economist in the Dairy, Livestock, and Poultry Division, Commodity Programs, FAS.

example because it is the largest EC poultry meat exporter to non-EC destinations, with such exports totaling 126,000 tons in 1979, of which 90,000 tons went to the Middle East.)

The average value of French whole broilers exported to Saudi Arabia in December 1979 was \$1,228 per ton or 55.7 U.S. cents per pound. Taking into account the EC subsidy of around 14 cents, the presumed French export price without the subsidy would be 69.7 cents, compared with the December New York export price for U.S. whole broilers (including 7 cents for export packaging, freezing, and loading) of 49.5 cents. Even with the higher U.S. transportation cost to the Middle East, U.S. exporters could compete with EC exports without the subsidy. But with the subsidy, the U.S. can sell broilers in this market only as a residual supplier, not as a prime supplier.

This example, however, is only of transitory interest, and shows the subsidy level needed to meet a specific price situation. Since it is an EC policy objective to set the subsidy at whatever level is necessary to assure the sale of its exports in international markets, subsidies are changed to meet market conditions. During 1979, the subsidy on whole chickens ranged between 22 and 27 ECU (European currency units) per 100 kilograms, the equivalent in France of 14 to 17 cents per pound. This makes it impossible for individual producers to compete, except when the EC is unable to supply the market demand.

Moving from the Middle East to the Far East, where EC subsidies were paid during 1962-74, and then discontinued until January 1980, the ability of EC subsidized poultry to replace U.S. sales is again demonstrated.

During the subsidy period (1962-74), exports from both the United States and the European Community to this market showed substantial growth, but exports from the EC grew at a much faster rate. The U.S. share of combined U.S.-EC exports to this market dropped from an average of 98 percent during 1961-65 to 60 percent in 1974. Then, after the EC subsidy was removed on exports to the Far East, U.S. exports reversed their downward slide, and the U.S. share gained back to 93 percent of combined U.S.-EC exports to that market in 1978.

Exports to the Caribbean countries

showed a similar pattern. EC subsidies were paid on exports to this area during 1962-74, and then discontinued (except to Cuba) until January 1980. During the period the subsidy was in effect, continuing through 1975, there was a rapid expansion in EC exports to this market, and the U.S. share of combined U.S.-EC exports dropped from 99 percent during 1961-65 to 54 percent in 1975. After the EC subsidy was removed, the U.S. share recovered to 83 percent in 1978.

Given the EC decision to subsidize both whole poultry and poultry parts on a worldwide basis (except to the United States) what is the outlook for U.S. exports to the various markets?

If what happened to U.S. market shares in non-EC West European countries and the Middle East—with continuous EC subsidies—and in the Far East and Caribbean—with subsidies up to 1974—is an indication of what is likely to happen under worldwide subsidies, it becomes clear that EC subsidized poultry can replace U.S. sales in any major world market. The extent to which this happens will depend on the size of EC surpluses and the EC's willingness to use the subsidy to move them.

An indication of the EC's willingness to spend any amount necessary to export a given quantity of poultry is evident in its fiscal 1979 budget. Total poultry subsidy payments during the previous 6 years (1973-78), amounted to a little over \$100 million, whereas the amount budgeted for fiscal 1979 alone was \$46.7 million.

The lack of EC producer-level market forces to encourage production adjustments to meet market demand can almost assure further increases in EC exports. Variable and supplementary levies and export subsidies are designed to support prices without production restraints. In a situation of excess capacity, or potential excess capacity, production is likely to continue to expand as long as it is profitable for it to do so. Furthermore, it is the policy of most countries in the EC to provide loans for the expansion of poultry production facilities.

The expectation of profitable prices and the availability of loans, plus the fact that poultry production competes only in a limited way with land needs for other purposes, will almost insure

continued expansion in poultry production. The problem of price and production adjustments is, consequently, shifted to non-subsidized free-market countries.

At times when world supplies exceed world demand, price declines outside the Community are exaggerated because of EC import levies and export subsidies. The expected free-market response to such a situation would be for prices to decline, consumption to rise, and production to adjust downward toward some sort of price-production-consumption equilibrium.

However, the EC—which accounts for almost 20 percent of the world's poultry meat production and consumption and around 50 percent of world exports—is shielded from the effects of price on production and consumption, and the burden of such adjustments falls more heavily on the free-market countries. That mostly means the United States.

(The other two large exporting countries are Hungary, a state trading economy, and Brazil, which also pays export subsidies.)

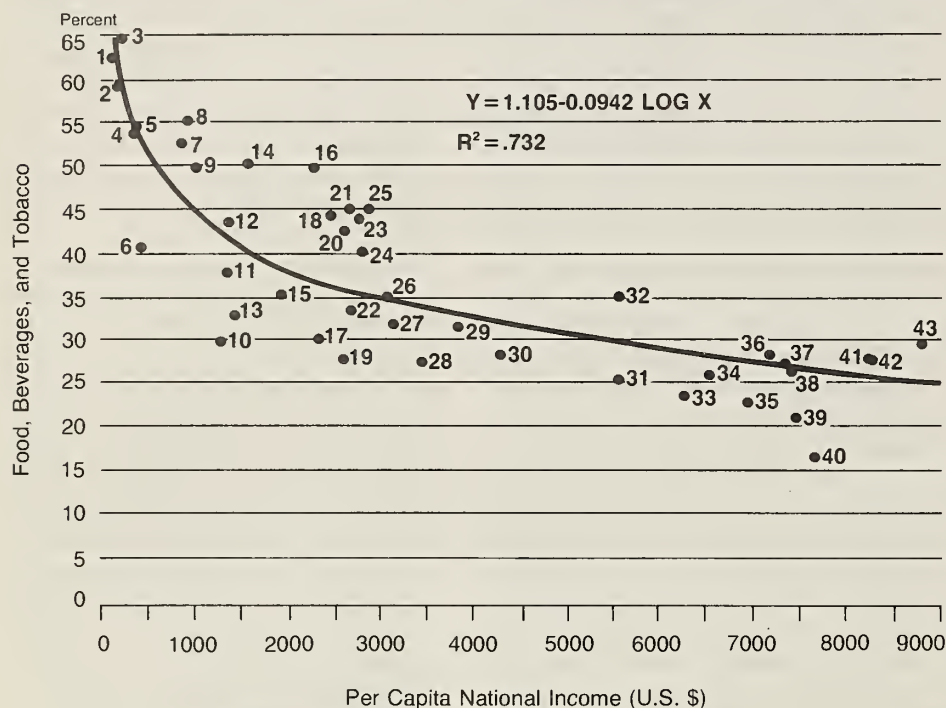
Again, using France as an example, producer price stability in France compared with producer price fluctuations in the United States demonstrates how export subsidies (along with import levies) can shield producers in subsidized markets and put the burden of price adjustments on producers in the free-market countries. If we use the January-March 1977 average price as a base of 100, U.S. producer prices fell 23 points between July and December 1977, 31 points between July and November 1978, and 34 points between May and October 1979. On the other hand, producer prices in France during the same period fell only two points in 1977, remained unchanged in 1978, and advanced one point in 1979.

With the EC—the world's largest exporter of poultry meat—having reintroduced the subsidy on practically all poultry meat items and expanded the areas eligible for the subsidy to include all destinations except the United States, U.S. producers (the world's most efficient) can look forward to a substantial erosion of their shares of the market in the Far East and the Caribbean, wider swings in market prices, and even larger export subsidies from the EC. □

U.S. Consumers Spend Less Of Their Income on Food Than Rest of the World

By Arthur B. Mackie
and Michael Allan

Expenditures on Food, Beverages, and Tobacco in 43 Countries As A Share of Total Private Expenditures, 1977



Country and Rank by Income Level

| | | | |
|-----------------------------|--------------------------|-----------------------|---------------------------|
| 1 India ¹ | 12 Jamaica | 23 Hungary | 34 Australia ¹ |
| 2 Sierra Leone ¹ | 13 South Africa | 24 Greece | 35 Netherlands |
| 3 Sri Lanka | 14 Portugal ¹ | 25 Poland | 36 Norway |
| 4 Honduras ² | 15 Malta | 26 Italy | 37 W. Germany |
| 5 Thailand | 16 Yugoslavia | 27 Puerto Rico | 38 Belgium |
| 6 El Salvador | 17 Hong Kong | 28 Israel | 39 Canada |
| 7 South Korea | 18 Ireland ¹ | 29 U.K. | 40 United States |
| 8 Jordan | 19 Singapore | 30 Japan ¹ | 41 Sweden |
| 9 Panama ¹ | 20 Venezuela | 31 Austria | 42 Denmark |
| 10 Fiji | 21 USSR | 32 Finland | 43 Switzerland |
| 11 Cyprus ¹ | 22 Spain ² | 33 France | |

¹ For 1976.

² For 1975.

Source: United Nations, Yearbook of National Accounts Statistics, 1978, Vols. I and II.

Despite the many economic problems of the 1970's—including rising food prices—U.S. consumers continue to spend less of their income on food than do consumers in other countries.

In 1977, the latest year for which complete data are available for countries other than the United States, only 16.5 percent of U.S. private consumption expenditures went for food, tobacco, and beverages (and only 13.6 percent if tobacco and alcoholic beverages are excluded). This continued a downward trend that has reduced the share from 20 percent in 1965 to 18.0 percent averaged in 1970-72 and 17.0 percent in 1976. (U.S. Department of Commerce data show that this share dropped further to 15.9 percent in 1978 and held at that level in 1979.)

Canada's 1977 share of 21 percent was the second best. Elsewhere, spending on food, beverages, and tobacco ranged from one-fourth to one-half of total expenditures in high-income countries of Europe and Asia; around 45-50 percent in the centrally planned countries; and between 40 and 65 percent in developing countries.

Surprisingly, the share was a relatively high 28-29 percent in countries with incomes above those in the United States—Sweden, Denmark, and Switzerland—reflecting high domestic market prices for food. Nations with incomes comparable to those in the United States—Austria, Belgium, France, and the Netherlands—spent around a fourth of their incomes on food, beverages, and tobacco.

Despite such variances, food consumption patterns in 43 countries surveyed generally support the economic law that the proportion of income spent on food (excluding tobacco and beverages) declines as income rises. This inverse relationship between income and proportion of income spent on food was first observed by a German economist, Ernst Engel, in 1857 while he was studying the patterns of consumption expenditures of about

Arthur Mackie is a senior economist and Michael Allan an economic analyst with the Economics and Statistics Service.

200 Belgian laborers. Subsequent studies have supported this law.

Expenditures on alcohol and tobacco, in contrast, are not highly related to income levels.

As incomes rise, consumers do spend increased amounts of money on upgrading and diversifying their diets, as they substitute more vegetables, fruit, and meat for much of their starch consumption. These dietary improvements, however, compete with alternative purchases, which increase at an accelerated rate of income rise.

Spending, of course, also is influenced by variances in food prices from one country to another. In Switzerland, for instance, 1977 per capita income was almost \$1,200 above that in the United States. Yet when spending on food, tobacco, and beverages was subtracted out, the United States ended up with a higher per capita disposable income—the world's highest, in fact. Lower U.S. food prices accounted for most of the difference, reflecting:

- An abundance of arable land, which lowers the cost of an intensively used input;
- A more varied climate, which makes possible the production of a wider variety of food products (decreasing the need for imports) than in Sweden, Switzerland, and Denmark; and
- A more efficient farming and marketing system that keeps per-unit costs down.

Rice and fish-eating nations apparently adapt more slowly to the dietary changes associated with increased income. Such nations in their developing stages tend to spend less on food than do other countries at similar income levels. Over the long run, however, the development process changes tastes, habits, and income distribution—tending to bring all nations into line with the average.

The proportion of total private domestic consumption expenditures on food, beverages and tobacco, are shown in the accompanying chart. The individual countries are indicated by the numbers shown in the chart, while the smooth curve lines are mathematically fitted curves for these data. The regression line represents the proportion that consumers would spend for food, beverages, and tobacco on the average in all countries with the indicated per capita income. □

New U.S. Guarantee Program Provides Greater Protection For Agricultural Exporters

On October 1, 1980, a new USDA guarantee program was announced in the *Federal Register*, providing U.S. Government protection to reinforce private financing for U.S. agricultural exports.

Entitled the Export Credit Guarantee Program (GSM-102), the new plan is expected to stimulate up to \$2 billion a year in exports of grains, vegetable oils, cotton, and other agricultural commodities.

So far, USDA has announced guarantees under the new program for exports of agricultural products worth \$670 million to Poland and up to \$410 million to Korea.

Korea is expected to buy cotton, wheat, feedgrains, and tallow valued at \$260 million. On September 6, it was announced the other \$150 million would be used to purchase U.S. rice. Poland is expected to buy about 4 million metric tons of feedgrains, wheat, soybeans, and vegetable oil.

The GSM-102 program represents an expansion of coverage offered under the GSM-101 Non-Commercial Risk Assurance Program. Both programs provide U.S. Government guarantees against defaults in payment for exports so that U.S. banks will offer financing, and U.S. exporters can benefit from additional export sales by offering credit terms to foreign buyers. By permitting U.S. exporters to sell on credit terms, the program not only will expand U.S. exports, it will also have a favorable effect on farm income and the U.S. balance of payments.

Both GSM-101 and GSM-102 provide backup guarantees, protecting U.S. exporters or the exporters' banks in case the foreign buyer's bank breaks its promise to pay for the commodities. Thus, U.S. exporters, or the exporter's bank will extend credit to foreign buyers since payment is certain.

Much of the risk of default is eliminated by requiring the foreign buyer's bank to guarantee the payment through a letter of credit. The Commodity Credit Corporation

(CCC), operating through USDA, covers most of the remaining risk by providing a backup guarantee in case the foreign bank fails to honor its promise to pay. With this protection, U.S. exporters can obtain financing through a U.S. Bank and are ready to offer credit terms to the foreign buyer.

GSM-101, the earlier guarantee program, has operated successfully, beginning in August 1979, and resulted in over \$800 million in exports to Poland, Korea, Thailand, Peru, Sudan, Yugoslavia, and the Dominican Republic.

This program covered any default by a bank wholly owned by a foreign government; and for private foreign banks, GSM-101 covered defaults for noncommercial (political) reasons. The GSM-101 program has had notable success in providing financing in cases where the foreign buyer's bank was government-owned. However, in general, U.S. banks were reluctant to finance transactions where private (as opposed to government-owned) foreign banks were involved.

Under the GSM-102 program, CCC approves the foreign buyer's banks and will cover any default by that bank, without distinction between commercial and noncommercial risk. This means that foreign buyers will be able to obtain financing to purchase U.S. commodities, regardless of whether the foreign buyer's bank is government-owned or private. This also means larger numbers of foreign buyers will be able to buy U.S. commodities because of CCC's expanded coverage under GSM-102.

In addition, the guarantee program provides a strong incentive for U.S. banks to reinforce the efforts of U.S. Agricultural Counselors and Attachés, as well as private U.S. exporters. Many U.S. bankers are now actively seeking overseas customers.

For more information contact the Assistant General Sales Manager, Export Credits Foreign Agricultural Service, USDA, Washington, D.C. 20250. Telephone (202) 447-3224. □

Tight Feed Supplies, Equipment Delays Slow USSR Farm Growth

Soviet agriculture generally continued to expand during the first half of 1980, but faltering growth rates in some key sectors reflect the negative influence of such factors as tight feed availabilities and shortfalls in deliveries of farm trucks, beet harvesters, and irrigation sprinklers.

Agricultural data published in Moscow at midyear indicate that:

- Although cattle, cow, and poultry numbers in the socialized sector reached record levels, increases for cattle and poultry fell short of recent year-to-year changes.

- Hog, sheep, and goat numbers declined from year-earlier levels.

- Meat production in the socialized and industrial sectors fell.

- Output of dairy products dropped.

- Egg production continued to expand.

- Capital investment in agriculture rose, but the rate of gain was slower in land-improvement projects and in construction and expansion of facilities to house livestock and poultry.

- Deliveries of mineral fertilizer and some types of agricultural machinery improved.

- Trade in state and cooperative outlets rose. Sales of some food items were higher than in mid-1979, while sales of butter, cheese, sugar, and fruits and vegetables either dropped or remained unchanged.

Seeded area. According to *Izvestiya*, total Soviet winter/spring crop area was 217 million hectares—about the same as the preliminary estimates for total area in mid-1979.

For the second consecutive year, no preliminary estimates of planted grain area were reported. However, area sown to wheat, rice, corn for grain, cotton, flax, and perennial grasses was reported to be larger this year than last.

Livestock. Inventories of livestock

in the socialized sector as of July 1 indicate that cattle numbers rose 0.6 percent, cow numbers 0.7 percent, and the poultry flock by 3 percent over year-earlier totals.

On the other hand, hog numbers and the sheep and goat total each dropped 2 percent from mid-1979 levels.

Despite the record reached for some types of livestock, overall inventory growth during the first 6 months of this year was slower than in the year-earlier period and was the slowest since 1975/76.

Changes in livestock inventories in the socialized sector during June showed little departure from normal June inventory patterns. The heavier-than-normal slaughter of livestock—mostly hogs and poultry—that had occurred during January/February leveled off in March and returned to normal levels.

The heavy drawdown of livestock reflected both decreased feed availabilities from the poor 1979 grain and forage harvests and the negative effect of the U.S. grain sales suspension, which denied the USSR the equivalent of about 10 percent of its feedgrain requirements for the first half of 1980.

Meat and dairy output. Production of meat (live weight) in the socialized sector during January-June was 1 percent lower than in the comparable 1979 period. Meat output had been running ahead of 1979 levels, but the cumulative January-June total slipped below the year-earlier level because of a sharp drop in June production.

Cumulative totals for pork fell 4 percent, and for beef, 2 percent. An 11 percent increase in poultry meat and in meat from sheep and goats was not enough to offset the declines in pork and beef, which normally make up about 80 percent of total Soviet meat production and about 85 percent of meat output in the socialized sector.

The drop in beef and pork output reflected both lighter animal weights

and fewer animals slaughtered. The January-June average weight of cattle sold to the Government for slaughter—358 kilograms—was 2 percent less than in the comparable 1979 period and 3 percent lower than in the 1978 period.

The lower average weights of cattle and hogs sold to the Government were a further indication of the tight feed situation in the USSR this year.

Egg production, on the other hand, continued to expand, rising 4 percent above output in mid-1979. Presumably, poultry flocks had preferential access to grain supplies.

Based on these official data, total Soviet meat output during 1980 probably will be below the planned level of 15.7 million tons (carcass weight) and the 15.5 million tons produced in 1979.

Food industry output. Generally, production of items by the Soviet food industry was disappointing. Meat output for January-June dropped 2 percent from the year-earlier level.

Retail food trade. Retail trade turnover in state and cooperative trade outlets during January-June was up 4.7 percent (table value) from the year-earlier total.

Soviet data for food industry production and retail trade in meat includes imported meat. Imports of meat and meat products in 1979 proved to be higher than had been expected—611,000 tons, equal to about 4 percent of domestic output.

Mineral inputs and machinery. Mineral fertilizer deliveries to agriculture during first-half 1980 were 9 percent above the midyear 1979 level. Output was 53.2 million tons, 12 percent higher.

Deliveries of agricultural machinery during the first half of 1980 were mixed—numbers of trucks, beet harvesters, and sprinklers were down from year-earlier totals; deliveries of grain combines, and potato and forage harvesters were up.

Capital investment and construction. Government and collective farm investment in agriculture at midyear 1980 had risen to 14.6 billion rubles, up 3 percent from the year-earlier level.

Imports for 1980 will probably be at or above this level. Hungarian turkeys and Dutch chickens are available in Moscow's state food stores and central collective market.—Angel O. Bryne, International Economics Division, Economics and Statistics Service. □

U.S. School Lunch Official Says Japanese Appetite Growing for U.S.-Type Foods

Japanese diets are becoming more Americanized as consumers—especially in the younger age bracket—continue to develop an appetite for U.S. foods such as hamburgers, french fries, hot dogs, and pizzas. The growing demand for these, as well as for a wide variety of other canned, frozen, and preserved foods, gives U.S. exporters an opportunity to strengthen their sales in the Japanese market, according to Dorothy VanEgmond-Pannell, a U.S. school-lunch-program expert, who recently completed a market development tour of Japanese schools.

"The demand for Western or American foods in Japan's school lunch program and elsewhere is overwhelming," according to VanEgmond-Pannell, Director of the Fairfax County (Va.) School Food Service. She visited Japan with Frances McGlone, holder of a similar

position in the Oakland (Calif.) Unified School District. "This means a number of such U.S. foods can advantageously be promoted for use in the Japanese school lunch program and in the home.

"Participation in the school lunch program is mandatory for elementary school children, assuring sizable sales for any product used in the program. And it is growing at the lower and upper secondary school levels. At the present time, nearly 58 percent of the lower (junior high) schools offer such programs," VanEgmond-Pannell said.

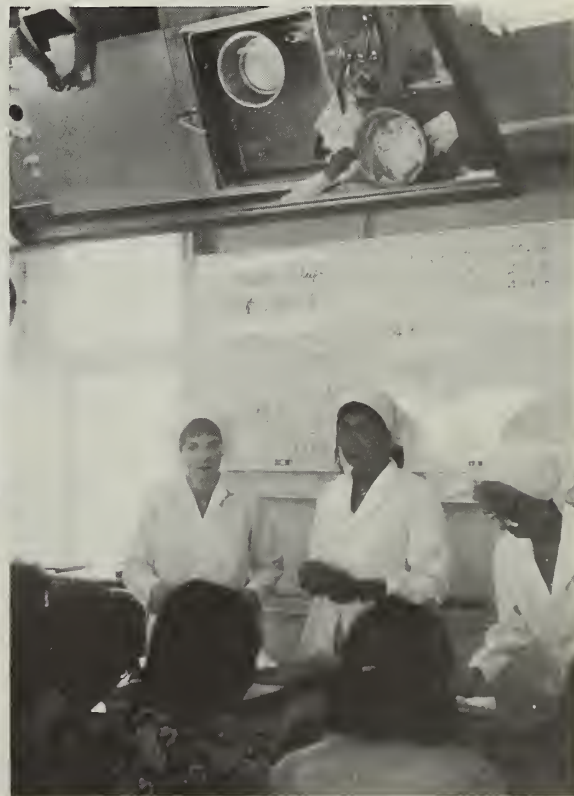
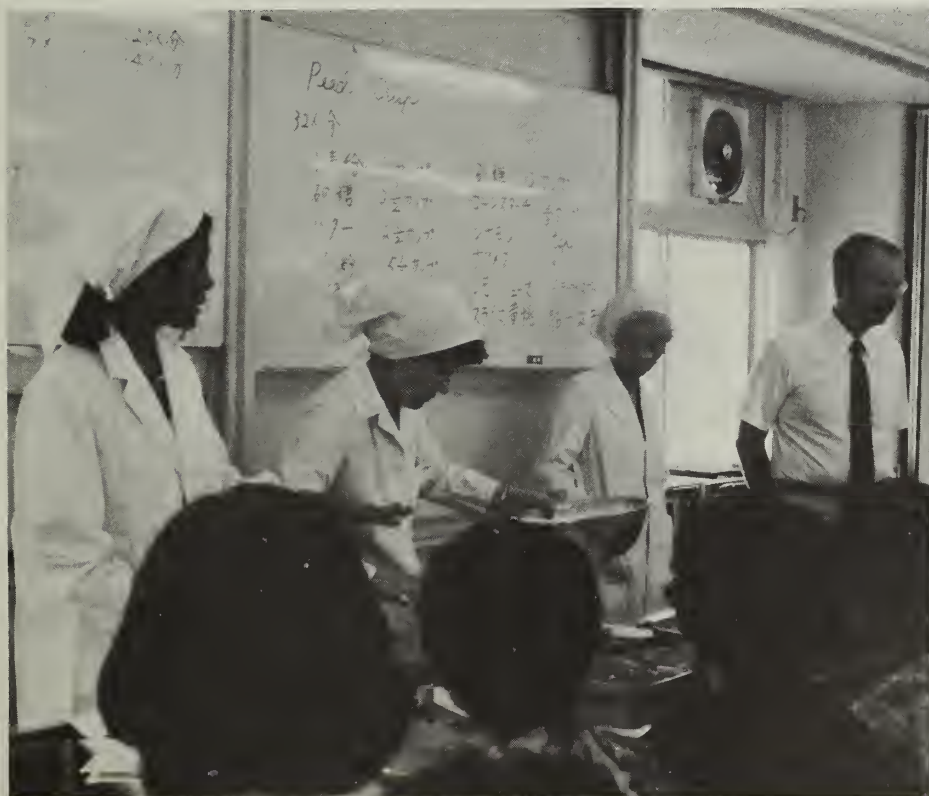
The lunch program—which resembles the U.S. National School Lunch Program—was supplied by the Japanese Government during the last school term with \$30 million in food products. Government and school officials are examining the possibility of starting a breakfast program, a need developing as more Japanese mothers

begin to work outside the home.

Younger age Japanese school children are enthusiastic about U.S. foods, but often are mystified by the differences in appearance between American and Japanese products. For example, when the California Cling Peach Advisory Board—an FAS market development cooperator operating in Japan, and sponsor of the trip—began to promote California Cling peaches there, the children went home from school with the news that U.S. peaches are yellow, not white like the ones grown domestically.

The two administrators—who had been named Ambassadors of Good Will by the American School Food Service Association prior to their departure on a tour of school food facilities in four major Japanese cities—launched their visit with a press conference and reception at the American Club in Tokyo. Serving a U.S.-style school lunch at the club to some 50 people from the media, the two experts also prepared and displayed five other sample U.S. school lunches.

The California Cling Peach Advisory Board and other USDA market development cooperators—including USDA wheat cooperators, who were among the first to do so—have worked with Japanese school-



lunch-program nutritionists for many years to help develop high dietary standards, and have the confidence of the Ministry of Education officials. "However, such a relationship is delicate and must be carefully nurtured," according to the U.S. school official.

VanEgmond-Pannell cautions U.S. exporters that Japanese school lunch officials are concerned about the use of additives in food products and advises prospective exporters to acquaint themselves with Japanese regulations concerning additives in advance of shipment.

She also states that shipments must be accurately and clearly labeled and dated, and must be of the highest quality. ("The laboratories used by the Government to test food products are extremely well equipped and are staffed by skilled food scientists," VanEgmond-Pannell noted.)

"Also, the equipment used in the Japanese school lunch program is different from that used in the United States. Few individual schools have ovens and refrigeration units are scarce. Furthermore, baking is not a usual method of cooking, and there is little likelihood its use will increase in the immediate future," VanEgmond-Pannell pointed out. "Thus, until more school kitchens have that kind of

equipment, products requiring oven cooking will not sell well.

"Then, too, the language barrier is difficult to overcome, so interpreter services would be required by any U.S. food traders visiting Japan," VanEgmond-Pannell stated. "But, from my own observations, I would say the potential for U.S. food sales is a strong one; however, it takes dedication and time to sell—really sell—this market. The volume potential for numerous products is there.

"The school-lunch program in Japan has a sound nutritional base and is extremely sophisticated. But, at the same time, there are certain foods that are not widely used in the program. There is a need for more fruits and vegetables in school menus. Greater home use of these products also offers sales opportunities."

However, these sales opportunities are offset by strong competition, VanEgmond-Pannell said. "While visiting one of the warehouses stocking school foods, I noted that the shelves were well stocked with agricultural products from a number of countries, particularly South Africa and Australia."

Japan's school-lunch nutritionists are holding three regional meetings this year, where foods and preparation

equipment are to be displayed and demonstrated. The largest of these was the All-Japan (West) National School Lunch Convention, scheduled for October 30-31, 1980, in Fukuoka.

The other two regional meetings scheduled for 1980 were the East Japan Conference (Akita Prefecture), October 8-9, and the Central Japan Conference (Osaka), November 28-29, according to VanEgmond-Pannell, who recently completed a year's work under contract with USDA's Food and Nutrition Service. While time is too short to participate in this year's events, food exporters may want to display their products next year.

FAS schedules an ongoing program of overseas sales team visits and food exhibits, as well as a label/product clearance program for exporters of processed foods for overseas markets. For a fee of \$5 per label per country, labels and ingredient lists will be sent by FAS to a U.S. Agricultural Attaché in a target country for clearance by the appropriate government agency.

Full details about the label program, as well as any other FAS food export promotion program, are available from the Director, Export Trade Services Division, Foreign Agricultural Service, USDA, Washington, D.C. 20250. Telephone (202) 447-6343. □



Clockwise from far left: Dorothy VanEgmond-Pannell (left center) and Frances McGlone (right center) demonstrate the use of U.S. cling peaches in school recipes to Japanese school lunch nutritionists at Fukuoka; mirror, at top of photo, gave the Fukuoka nutritionists an excellent view of the steps required to prepare a school lunch; participation in the school lunch program is mandatory for elementary school students and the experience is made as enjoyable as possible by decorating the table with flowers and using colorful tablecloths; school children—dressed in white smocks and hats while on lunch duty—participate in the program by serving lunches at tables in schools having lunch rooms. VanEgmond-Pannell and McGlone recently completed a market development tour of Japanese schools, where they noted the demand for U.S. and Western foods is growing as the result of participation in the Japanese school lunch program by a number of USDA cooperators. The two school lunch administrators visited four Japanese cities.

U.S. Agricultural Exports by Cooperatives

A cooperative is an organization owned by and operated for the benefit of those who use its services, and who are generally represented by a board of directors democratically elected by the cooperative's members. Farmer-owned cooperatives market crops, process and sell agricultural products, distribute farming supplies like petroleum, fertilizer, and seed, and advance credit.

In 1979, farmers had \$16.9 billion invested in co-operatives, an average of \$6,423 per farm. Farmer ownership allows producers to control services and operations so that they can maximize their own farming profits. After taxes, operating expenses, and investment needs have been met, cooperatives return the remaining income (net margin) to their members. The net margins realized by 5,900 marketing and supply cooperatives were \$1.3 billion in 1976.

Cooperatives Are Experienced Marketers

The cooperative movement has a long history in world and American agriculture, and in the past 80 years cooperatives have taken an increasing role in the marketing of their members' products. That marketing effort, once confined to supplying domestic needs, has moved into the international arena. Domestic marketing of grain by local co-ops began in earnest at the end of the last century, and by the mid-1920's had captured a 35-45 percent share of the grain market. After a series of reverses in the 1930's, cooperative marketing rebounded so that local cooperatives today account for 40 percent of domestic grain marketings.

During the same period, local cooperatives and individual producers were combining to form larger regional and interregional cooperatives with even greater resources and marketing power. By 1979, the 16 largest regional grain co-ops were handling 2.3 billion bushels, and making 25 percent of farm grain sales.

It is these larger regional and interregional cooperatives that are penetrating the world agricultural market.

Oranges First Co-op Export

Cooperative exporting began just before 1900, when the Southern California Fruit Exchange shipped a gift box of navel oranges to England's Queen Victoria. The Exchange

has evolved into the world-famous Sunkist Growers, Inc., which now exports over 15 million cartons of fresh fruit a year.

The first sustained export marketing program for grains didn't begin until the establishment of Producers Export Company (PEC) in 1958. PEC never captured more than a minor share of the export market, but by the time it went out of business in 1969, its example had spawned other co-op exporting operations.

In more recent years, exporting cooperatives have multiplied in number and expanded their scope, both by marketing more than one commodity or product, and by acquiring handling, processing, transportation, financing, and market development facilities or expertise.

Cooperative Exports Substantial

In 1976, the latest year for which comprehensive data are available, cooperatives exported \$3.3 billion in agricultural products. About \$2 billion of that were direct exports—in which the products were sold directly to a foreign buyer instead of an intermediary like a trading company. The remaining \$1.3 billion were indirect sales where the products were sold to another U.S. firm for resale to a foreign buyer.

The trade pattern of cooperative exports follows the main currents of U.S. farm trade. The European Community was the largest single market area for both total U.S. agricultural exports and for cooperative exports in 1976, and Japan accounted for the largest single-country share of each.

Grains Lead Exports

In 1976, grains and grain products represented more than half of all cooperatives' total export volume, with \$1.8 billion in sales. A more recent study reports that in 1978-79, twenty regional grain cooperatives handled over 1.5 billion bushels of grain bound for a port elevator, or 35 percent of all U.S. grain exports.

Only about 9 percent of U.S. grain exports are sold directly to foreign buyers by cooperatives, although about 20 percent of total grain exports pass through cooperatively owned port elevators.

Oilseeds and products rank second in value among co-op exports, totaling \$735 million in 1976.

Fruits and preparations followed that year with sales of \$337 million. Cooperatives play a large role in the direct exporting of these products, selling 38 percent of U.S. exports of fruits and preparations directly to foreign buyers.

Cotton is another commodity heavily marketed overseas by cooperatives, which sold \$263 million worth in 1976. Direct exports by cooperatives accounted for 88 percent of total U.S. cotton exports.

Sales of other commodities exported by cooperatives in 1976 were—

| | |
|-----------------------------------|--------------|
| Nuts and preparations | \$82 million |
| Animals and animal products | \$49 million |
| Vegetables and preparations | \$23 million |
| Feeds and fodders | \$14 million |
| Other products | \$10 million |

Co-ops Expand Markets in Different Ways

Cooperatives have increased their export sales potential in a number of ways.

One is through providing the size necessary for successfully handling large volume sales on the world market. Farmers Export Company, a federated interregional cooperative owned by 12 regional cooperatives, is now the third or fourth largest exporter of U.S. farm products. Exporting corn, soybeans, wheat, sorghum, and agricultural byproducts, Farmers Export marketed over 14 million metric tons of agricultural commodities in 1979, for sales valued at \$2.4 billion.

Farmers Export has acquired facilities for transporting, handling, and loading its own products. Its members are part-owners of Agri-Trans, a cooperative barge company that can transport more than 100 million bushels a year to Gulf ports. They also own port elevator facilities capable of handling 16 million tons annually.

Cooperatives also have broadened their marketing base by becoming involved in the processing of raw agricultural commodities. Riceland Foods owns four rice mills, two rice parboiling plants, two parboil rice mills, three soybean crushing plants, three soybean oil refineries, two soybean oil canning plants, and one soybean hydrogenation plant.

This extension of cooperative activity into food processing has paid off in export sales. Riceland accounts for almost one-third of U.S. exports of parboiled rice, dominating the European market, and has opened up new markets for this product in Africa and the Middle East.

Other cooperatives have increased their export sales potential by handling a more diversified mix of raw commodities, as well as products. When it became apparent that domestic demand for walnuts, prunes, and dried fruit had stagnated, Diamond Walnut Growers Association, Inc., and Sunsweet Growers, Inc., pooled their resources to form Diamond/Sunsweet, a cooperative marketing organization. Export market development by Diamond/Sunsweet helped

rescue sales, and exports in 1979 made up 25 percent of total sales volume, for \$50 million annually.

Growing Overseas Operations

Cooperatives are also extending their marketing power through expanded foreign operations and international agreements with cooperatives in other countries.

Among the grain co-ops, Farmers Export Company maintains an office in Tokyo, Japan, and last year sent a 2-week market development mission to China to explore the possibility of direct exports to that potentially vast market.

Producers Grain is also in the 12th year of a long-term grain supply contract with Zen-Noh of Japan. Zen-Noh is a large, multiproduct cooperative that is Japan's leading feedgrain importer, with about a 40 percent share of the feed compounding industry there.

A notable example of the growing international dimensions of U.S. farmer cooperatives is InTrade, an international grain and commodity trading company formed by agreement among six American co-ops, four European cooperatives, a Canadian co-op, and Alfred C. Toepfer, Inc., of West Germany.

The six American cooperatives are Gold Kist, Inc.; Agway, Inc.; Citrus World, Inc.; Land O' Lakes, Inc.; Landmark, Inc.; and Indiana Farm Bureau. Together they have over \$6 billion in U.S. and export sales of a full line of farm products. Toepfer, which has traded in grains, feeds, and oilseeds since 1919, will give the cooperatives access to an experienced international trading organization with offices in 17 countries.

Arvin Bunker of the U.S. Department of Agriculture's Agricultural Cooperative Service estimates that if InTrade and other joint ventures are successful, within 5 years cooperatives could be handling 15-20 percent of U.S. grain exports in direct sales to foreign buyers.

Cooperative Exporting Can Benefit Farmers

Export marketing by cooperatives generally allows producers to retain control of their products, and the proceeds from their sales, further up the marketing chain on the way to the consumer.

This can mean greater profits for the farmer. Riceland Foods, for example, last year paid its members an average of \$4 a bushel of crop rough rice, compared to the \$3.60 per bushel national average. Riceland has offered its members similar price advantages for the past 30 years.

The tangible benefits of expanded export marketing by cooperatives have not gone unnoticed by American farmers. Farmland Industries, the nation's largest farmer cooperative, recently asked 5,000 of its members how it should spend their money in the coming years. The response was overwhelmingly in favor of expanding grain exports.

China

Sets World Cotton Import Record In 1979/80; High Imports in 1980/81

The People's Republic of China was the world's largest importer of cotton during the 1979/80 marketing year and is expected to remain a serious contender for the title of No. 1 cotton importer in 1980/81.

Although there are no official Chinese trade data, China's cotton imports in 1979/80 (based on cotton loadings at points of origin) are estimated at 3.7 million bales although some trade sources believe the total was higher.

The import surge between 1978/79 and 1979/80, of at least 72 percent, was prompted by Government policy that stimulated mill use considerably above the rate of growth for domestic cotton and manmade fiber

output. During this time frame, the U.S. share of the Chinese market reacted to the upsurge and climbed from 29 to 60 percent.

U.S. availabilities and price were the main factors in boosting 1979/80 U.S. cotton sales to China. But the confidence of Chinese Government officials that the U.S. production and marketing systems were flexible enough to take care of China's present and future cotton needs also were important selling points.

China's raw cotton use totals about 3 million tons a year, according to official Chinese sources.

Textile sources expect the rate of increase in the value of industry production to

drop in 1980 despite the fact that output in the first half of the year was 28.8 percent higher than in 1979. In the first half of 1979, production was up only 6 percent but for the whole year it showed a gain of 14 percent over the 1978 level.

Textile production surged in the last half of 1979 but the rate of increase in textile production is expected to drop sharply during the last 6 months of 1980.

A 45 percent rise in manmade fibers led the notable textile performance in the first half of 1980 and significant increases must have taken place in the production of other products. On a weight basis, domestic manmade fiber output is a relatively small part of total textile production—for example, it amounts to about 15 percent of cotton yarn production.

China's cotton spinning system has about 16 million spindles. In 1979, 500,000 new spindles were added. Since China is not meeting its spun cotton requirements, spindle numbers will continue to increase, but there reportedly is no specific target number.

The Chinese textile industry is the largest in the world, but per capita consumption remains low. Cotton and cotton blends are rationed, the allowance ranging from 7 square meters per person in the north to 6 in Beijing and somewhat less in the south.

However, per capita fiber use is higher than indicated by the ration because chemical fibers and wool

blends are not rationed at the present time.

Cotton and cotton blends are used mainly for clothing but consumers want to use them for other purposes so demand is rising fast. Although neglected in the past, knits are receiving stronger emphasis, but they still represent less than 10 percent of production.

Cotton yarn production in 1979 was reported at 14.67 million bales (400 lb each) or 2.63 million tons. Indications are production ought to be higher—some 2.66 million tons, based on the mathematical procedure of multiplying the number of bales by the weight. But a weight loss in the manufacturing process—reported by Chinese officials at 6-7 percent, or as high as 9.3 percent, according to one authority—accounts for the lower figure.

Claims were made for January-July 1979 and 1980 that improved manufacturing methods resulted in reductions in cotton use of 15,000 and 20,000 tons, respectively, implying gains for each year of slightly over 1 percent of consumption. Losses are already somewhat below 10 percent, suggesting increased use of cotton waste.

Spindle efficiency, based on 20-count yarn, is reportedly one 400-pound bale per spindle per year. This relatively high degree of efficiency results from running the mills three shifts per day.—Based on report by William L. Davis, U.S. Agricultural Counselor, Beijing. □



A Chinese cotton collection center. Although China grows much of its own cotton, it was the world's largest importer in 1979/80.

Greece

Expanding Fur Industry Attracts Rising Volume of U.S. Mink Pelts



Classifying fur color and quality in Macedonia.

Greece—one of the world's leading exporters of fur garments and processed furskins—is becoming an important market for U.S. mink pelts.

Last year, Greece im-

ported 276,000 U.S. mink pelts valued at \$10.8 million, up from 214,000 pelts valued at \$7.4 million in 1978 and 141,000 pelts valued at \$4.7 million in 1977. Mink pelts account for

about half of all furskins imported by Greece.

The Greek fur processing industry depends heavily on imported pelts for its raw materials. The U.S. share of the Greek market for mink pelts has been expanding steadily, reaching 9.2 percent in 1979, up from 9 percent in 1978 and 8.8 percent in 1977.

Greece permits duty-free importation of furskins and fur trimming into Western Macedonia—Greece's principal fur area—provided the products are re-exported after processing. This arrangement has the effect of retaining the returns from fur processing in Western Macedonia—particularly in the hands of the 8,000 workers in this specialized handicraft industry located in and around Kastoria, in Western Macedonia.

Greece's major markets for fur garments and sewn furskins are West Germany (35 percent), France (15 percent), and the United States (10 percent). Other important markets are the

Netherlands, Spain, Belgium, and Sweden.

Greece has a small but growing mink farm industry—sustained largely by feed materials imported from the United States—that includes two farms with a combined output of 18,000 pelts annually and a third farm recently begun.

Prospects for continued expansion of the Greek fur industry are bright. Based on highly specialized, well-trained labor, the industry pays annual salaries ranging from the equivalent of about \$6,500 for less skilled labor to \$48,274 for the highly skilled workers who classify fur pieces by color and quality.

Thus, the Kastoria area is one of relatively high per capita income, and one of the regions least likely to be adversely affected by Greece's prospective accession to membership in the European Community.—Based on reports from Wilferd L. Phillipsen, U.S. Agricultural Attaché, Athens. □

Canada

Poultry Production Reduced In Effort To Cut Stocks

Canadian poultry producers, after a period of heavy production in 1979, have reduced output in response to actions by the chicken and turkey marketing agencies to facilitate reductions of refrigerated stocks. Egg producers, on the other hand, continue to experience strong consumer demand and an improved export outlook, and are keeping output at a high level.

During its first 6 months of operation, the Canadian Chicken Marketing Agency (CCMA)—which became operational June 29, 1979—enjoyed a favorable situation where demand for chicken meat rose sharply, reflecting strong consumer resistance to higher red meat prices. As a consequence, the Agency increased Provincial quota allocations, and the national production target for 1979

was set at 385,000 metric tons.

Chicken producers responded enthusiastically and a dramatic surge in Canadian output in the last half of 1979 pushed the year's total to 401,404 tons, including unregulated production in Alberta and Newfoundland.

The CCMA had hoped to set the production target for 1980 at 399,000 tons, but the excessive stock buildup by January 1, 1980, and a slowing of demand for chicken in the first quarter, forced the Agency to slash the 1980 target to 381,000 tons. Continued slow demand in the second quarter, reflecting in part the effect of record high pork supplies, forced the CCMA to further reduce the

production target at mid-year to 371,400 tons.

Under the October 1979 Canada/U.S. agreement—establishing an import quota system for chicken under the General Agreement on Tariffs and Trade—Canada set its quota for imported chicken during the period between October 22-December 31, 1979, at 3,969 tons, based on a calculated 1979 yearly level of 20,412 tons.

However, in keeping with past experience, the demand for imported product in the last months of 1979 exceeded the quota level and Canada's Department of Industry, Trade and Commerce (IT&C) issued supplementary import permits in late December to boost the amount of poultry

meat entering Canada.

The influx of chicken meat during the 10-week period makes it difficult to ascertain precise import figures for the 71 days, but for the year, Canada imported 25,219 tons, up more than 9 percent from the 23,106 tons of a year earlier.

For 1980, the Canadian chicken import quota has been set at 22,000 tons. During the January to June period of 1980 (58 percent of the year), slow demand for chicken resulted in a drop in the rate of applications for import permits and kept imports at only 10,600 tons, well below the annual rate required to reach the total import quota for 1980.

On August 23, 1980, the Canadian Government announced that it was tightening chicken import controls to include imports of selected prepared chicken items, which have grown from 134 tons in 1977 to 1,089 tons in 1979. The possibility of the product's inclusion in the quota was recognized during the original Canada/U.S. agreement.

Canadian chicken egg production reached 462.6 million dozen in 1979, registering only a slight gain over the 1978 level. The 1980 estimate for egg production was unofficially set at some 485.0 million dozen, about 5 percent greater than a year earlier. By the end of July, however, inspected egg output ran nearly 9 percent above the level of the first 7 months of 1979. This rate of increase is expected to prevail through the remainder of 1980 with projected increases in shell egg consumption and processed egg production expected to absorb most of the gain in output.

Rising domestic disappearance in 1979 and the inability of the regulated industry to react quickly to circumstances made it

necessary to import large numbers of shell eggs from the United States to meet the demand. Although the IT&C announced the 1979 global quota for shell egg imports at 3.09 million dozen, actual imports were closer to 11.9 million dozen, nearly four times the quota.

For 1980, the IT&C announced the shell egg import quota at 3.1 million dozen, slightly higher than the 1979 quota.

Total Canadian shell egg imports in 1980 are not expected to reach the high 1979 level, particularly if the Ontario Egg Marketing Board is able to boost its production allocation under the national plan.

Ontario contends that its egg production is seriously short of requirements and unless it gets a larger production quota, or a share of some other Province's quota, it will have to continue to import sizable numbers of U.S. eggs. Ontario's proposal is getting serious consideration.

In 1979, Ontario accounted for more than 70 percent of total Canadian shell egg imports.

For 1980, Canadian exports of shell eggs are expected to rise, reflecting the Canadian Egg Marketing Agency's drive to develop new foreign outlets. In February 1980, the Agency said that in 1979 it had sold 1.26 million dozen to the United Arab Emirates and Saudi Arabia. These shipments entered the United States in bond for reexport.

An estimated 360,000 dozen were exported via refrigerated superfreighter from Los Angeles to the Emirates, while another 900,000 were shipped out of Tampa for delivery to Jiddah, Saudi Arabia.

The Canadian Turkey Marketing Agency (CTMA) has lowered its national turkey production quota

from 1979's 105,000 tons to 97,500 tons for 1980.

Total Canadian turkey imports in 1979 reached 3,497 tons, more than 67 percent over the announced global import level of 2,087.

For 1980, in conformance with a formula determined in negotiations with the United States, the Agency has reduced Canada's global

import quota to 1,950 tons. However, as in the past, the periodic issuance of supplementary import permits will probably bring the year's total to somewhat more than indicated by the current quota figure.—Based on a report by Alexander Bernitz, U.S. Agricultural Counselor, Ottawa. □

Yugoslavia

Higher Meat Production Forecast As Feed, Forage Supplies Improve

Although Yugoslavia's production, trade, and consumption of beef and pork continued trending down in first-half 1980 from year-earlier levels, improved availability of feed and fodder plus increased producer prices for slaughter animals suggests the prospect of higher rates of meat production during the second half of the year.

Red meat production during 1980 is projected at 940,000 tons (carcass-weight equivalent—cwe), about 1.3 percent less than in 1979—a decline resulting primarily from lower production of pork, lamb, and mutton.

Exports of fresh and canned pork during 1980 are forecast at about 15,000 tons (cwe), a decline of 16.7 percent from the 1979 level. Imports of fresh pork—nil in 1979 but important this year because of the drop in domestic production and consumer demand in tourist areas—thus far in 1980 have amounted to about 3,000 tons.

Total imports of boneless beef and veal in 1980 are forecast to be down about 25 percent from the 1979 level

to about 20,550 tons, mainly because of Government restrictions on availability of hard currency for imports.

Consumption of red meat in 1980 is forecast at about 910,000 tons, about 1.5 percent below the 1979 level. While beef availabilities will rise slightly, supplies of fresh pork, lamb, and mutton are expected to decrease slightly because of the anticipated decline in production.

Shortages of fresh pork at the consumer level have prompted several Yugoslav cities, including Belgrade, to subsidize meat packers. In Belgrade, the subsidy is designed to compensate packers for the difference between market prices of liveweight hogs and the fixed selling price set by the Government.

At the same time, however, the Government has frozen prices of all commodities and services as of June 6—a result of the 30 percent devaluation of the Yugoslav dinar on that date.—Based on reports from Steve Washenko, U.S. Agricultural Attaché, Belgrade. □

Venezuela

U.S. Food-Expo '80 Draws Record Number of Buyers

Nearly 1,500 Venezuelan food specialists attended the recent U.S. Food-Expo '80, the largest U.S. trade-only show held in Caracas. The 3-day event, following a similar show here 2 years ago, was another success in presenting high-quality U.S. consumer-ready foods to this vital Latin American market.

The September 8-10 show was marked by a record attendance from all sectors of the Venezuelan food industry.

Some 48 U.S. exhibitors were on hand, representing 70 U.S. companies that offered more than 700 products—frozen and processed.

Calling the event an important step for U.S. exporters eyeing this lucrative market, Marvin L. Lehrer, manager for the exposition and U.S. Agricultural Trade Officer in Caracas, said: "Having a qualified agent, although

not required by law, is a must for any U.S. exporter in this market. It is also important for exporters to keep in mind that all packaged and branded food items must be registered with the Venezuelan Ministry of Health."

Although projected 12-month sales could reach \$20 million and on-floor sales as reported by 26 firms topped \$500,000, sales alone are not a true measure of the show's success since 90 percent or more of the products were presented without product registry—and with no registry, sales could not be made.

More important were the contacts made and agents appointed (about 15 at the show and more than a hundred under discussion).

Exports of U.S. consumer-ready food to Venezuela reached \$70.0 million in 1979, a tenfold increase in 7 years.—By Aubrey Robinson, staff writer, Foreign Agriculture. □



From top: U.S. Ambassador William H. Luers checks U.S. wine at the U.S. food show in Caracas; visitors sample roast pork at the booth of U.S. Meat Export Federation; Luers stops at the booth of the Southern U.S. Trade Association (SUSTA).

Turkey

Record Wheat Crop Brightens Export Prospects

Agriculture is one of the bright spots in Turkey's rather gloomy economic scene. And even brighter in recent years has been the increased grain production, particularly wheat. This year, Turkey

harvested its sixth consecutive excellent wheat crop, a record 13.8 million metric tons—a million tons higher than the previous 5-year average.

The record crop resulted from favorable planting and

germination conditions last fall and good growing weather early this year. Fears of lower yields—partly due to reduced fertilizer use because of sharply higher prices—did not materialize as yields in most areas have been higher than expected.

Turkey's wheat exports in 1980/81 are now expected to reach 1.2 million tons, trebling the reduced 1979/80 level. Turkish wheat exports for the 1979/80 marketing year were a disappointing 400,000 tons, compared with an original

expectation of over 1 million.

Last year's sharply reduced exports resulted from a number of problems. The Government's wheat buying agency (TMO) was unable to purchase sufficient amounts of wheat from the 1979 crop because of a pricing policy promulgated in June 1979 that set the support price at below the free-market price.

Therefore, producers sold wheat to the private trade, leaving TMO considerably short of wheat and unable to meet its domestic and international commitments.

TMO had planned to purchase 3 million tons, but bought only 1.7 million tons.

A very severe winter plus continuous shortages of diesel fuel delayed shipments of contracted wheat and postponed deliveries until the next marketing year. Because TMO failed to have adequate wheat supplies, the Government decreed on February 22 that the private sector would be permitted to export wheat. In addition, if the private sector wished to export flour, it was no longer required to purchase wheat from TMO, but could buy from the free market.

At one point last year, it was estimated that the private sector would export as much as 500,000 tons of wheat. The private sector could not export this quantity, however, because of higher domestic prices, compared with world prices.

According to the February 22 regulations, exporters are required to deposit TL3 per kilogram (\$43 per ton) in a special price stabilization fund for all exported wheat. The domestic price level, plus the export fund requirement and transport cost, bring the price of wheat for export to about \$200 per ton.

Since the present world price is below this level, the private sector has not been able to sell wheat for export. In addition, private exporters do not have loading facilities or other means of transport to export.

This year, TMO is expected to purchase about 3 millions tons of wheat and export slightly less than half of this amount. Should these exports materialize, Turkey could earn well over \$200 million in foreign exchange. In 1979/80, wheat export earnings dropped to under \$100 million versus \$208 million the previous year.

TMO should have no

problems buying the estimated amount because this year's purchases by the private sector have been rather slow due to higher support prices and a shortage of funds. This year, the Government's wheat support price is 140 percent above last year's, not

surprising since Turkey's inflation has now approached the triple-digit level.

Turkey is more or less self-sufficient in food production. Through modernization of agriculture, farmers have become more dependent on fertilizers, chemicals, spare

parts, and fuel. The current foreign exchange shortage has not seriously affected the long-term availability of these supplies as the Government has given priority to these imports.

—By Michael E. Kurtzig,
Economics and Statistics
Service. □

West Germany

Major Agricultural Suppliers Seek Bigger Market Shares

West Germany, despite its declining population and relatively stagnant level of food consumption in recent years, remains one of the world's biggest markets for farm imports and a magnet for exporters.

Per capita consumption of pork, poultry meat, fruits, and vegetables increased in West Germany during the 1970's, creating added market incentives for foreign suppliers. The total value of farm imports rose from \$20.4 billion in 1977/78 (Oct.-Sept.) to \$22.6 billion in 1978/79.

West Germany's eight partners in the European Community (EC) in recent years have supplied a relatively stable 48 percent of imported farm products. Imports from the EC, the United States, Brazil, Argentina, and Columbia together account for two-thirds of the total. Trade promotion in West Germany by all suppliers is maintained at an active level.

The United States is West Germany's leading foreign supplier of soybeans, sunflowerseed, corn and its byproducts, high-quality wheat, rice, tobacco, tallow and greases, walnuts, almonds, dried prunes, dried onions, and canned sweet corn. Nevertheless,

the U.S. share of the German agricultural import market slipped from 10.2 percent in 1977/78 to 9.8 percent in 1978/79.

The decline in the U.S. market share was primarily caused by Germany's strong expansion of agricultural imports for which the United States has not been a significant supplier—e.g., fruits and vegetables, and livestock and meat products. Also, U.S. shares of corn, wheat, and soybeans were lower (the latter because of larger supplies from Argentina) than in the previous year.

On the other hand, the U.S. share of Germany's sunflowerseed imports rose from 71.3 percent to 78.4 percent, mainly because of the absence of Argentine sunflowerseed.

The Netherlands is by far West Germany's most important single source of agricultural products—livestock (48 percent), meat (37 percent), dairy products (52 percent), eggs (63 percent), and fresh vegetables (42 percent).

Of total Dutch agricultural deliveries to West Germany in 1979, livestock, meat, dairy products, and poultry items accounted for 40 percent; fruits and vegetables 19 percent, and

vegetable oils and meals 7 percent.

During fiscal 1979, France expanded its shipments of principal food items to Germany sufficiently to push its market share up from 9.4 percent to 10.4 percent, becoming the second most important supplier of agricultural products and dropping the United States to third place.

France delivered 42 percent of Germany's grain imports, the United States 29 percent.

Germany's agricultural imports from the United States during fiscal 1979 rose 6.5 percent to a record \$2.2 billion. Oilseeds and products accounted for 50.2 percent of the total. Other major items as a percent of total were grains and rice (13.8), tobacco (8.7), non-grain feeds (7.4), hides and skins (4.6), and almonds and walnuts (3.2).

By use, livestock feeds during the past 2 years represented 42 percent of U.S. shipments to Germany. The United States, supplying more than a third of Germany's total volume and value of imported feed, is Germany's major foreign supplier of this item.—Based on reports from Andrew A. Duymovic, U.S. Agricultural Attaché, Bonn. □

Canada's Transportation

Continued from page 11

An increase in direct export shipments from Thunder Bay via ocean vessels ("salties") may help compensate for a declining number of lakers. Ocean vessels, however, are generally less efficiently loaded at Thunder Bay than are the smaller lakers, and, having deeper draft, are only partially loaded and are then "topped off" at St. Lawrence transfer elevators.

Problems also remain in the area of coordination between vessel arrivals and grain availability at port. This became particularly apparent earlier this year, when lake shippers were unprepared for the early opening of the St. Lawrence Seaway. Delayed arrivals of ships, particularly ocean vessels transporting the nonpoolable non-Board grains, resulted in clogged terminal elevators and railcar congestion at the port. Near-record car unloadings during the following weeks reduced these stocks and eased congestion.

At the heart of the Canadian grain transportation problem are the statutory rail rates, the so-called Crow's Nest Pass rates, on movement of Western grains and certain grain products to export position. These rates resulted from an 1897 subsidy and rate-control agreement between CP Rail and the Federal Government. The Government provided a subsidy to CP Rail for construction of a rail line through the Crow's Nest Pass in the mountains from Alberta into British Columbia. In return, the railway agreed to reduce its grain freight rates from the Prairies to Thunder Bay and agreed to charge no higher rates in the future.

In 1925, the Crow rates were applied to all rail companies operating in the West, and adjustments were made in the level of the rates. In 1926, they were extended to include grain shipped to the West Coast and Churchill for export.

Today, these rates apply to export movement of western grain and oilseeds and certain of their products from all points in the Prairies to Thunder Bay, Vancouver, Prince Rupert, and Churchill, and to domestic movements from the Prairies to Thunder Bay. Needless to say, costs to the railroads for transporting grain

have risen considerably over the years, while their revenues from grain traffic have been constrained by the statutory freight rates established in 1925.

A Commission appointed to investigate estimated that railway costs in movement of grain under Crow rate provisions were almost three times the revenues received by the railways from users.

Instead of abolishing or raising the statutory rate, the Federal Government has paid the railways subsidies for the operation of uneconomic branchlines maintained in the public interest. The branchline subsidies partially compensate the railways for the difference between the statutory and compensatory rates. This subsidy, however, does not fully cover the revenue shortfall, forcing railways to make up the difference from earnings realized from other, more profitable traffic. Because of the losses incurred in grain transport, the railways have been unwilling to invest further in grain transportation facilities, as evidenced by the rapidly deteriorating grain boxcar fleet and Prairie rail branchlines.

The Crow rates have been maintained because they enable Western farmers to be competitive in the world grain market and thus sustain grain exports that make an important contribution to Canada's balance-of-payments. For many years, "abolish the Crow rates" met with great resistance from Prairie farmers who considered Crow their historic right. In recent times, however, many producers have come to realize that their ability to expand exports of grain is limited by the railways' refusal to invest further in the unprofitable movement of grain.

Most groups involved now see the need to change the present system, and proposals for doing so have been advanced by farm organizations, the railways, and commodity groups. Most favor some form of increased compensation to the railways, although there are differences of opinion as to the form it should take.

One solution offered is raising the Crow rates to higher, compensatory levels that would then be statutory or regulated by the Canadian Transport Commission. The "Crow benefit," or difference between the Crow rates and compensatory tariffs, would be paid directly to the farmers. This solution

is favored by commodity groups such as the barley, flax, and rapeseed growers' associations, which believe that making the farmer pay the true costs of moving grain would help eliminate some of the "distortions" to the Western Canadian economy brought about by the Crow rates.

A second solution has been advanced by a conference of producer groups, which supports maintaining the Crow rate to the farmer with the Federal Government paying the difference between statutory and compensatory rates to the railways. This group also favors continued Government involvement in providing cars for the grain fleet and in maintaining Prairie branchlines.

Proponents of both viewpoints favor some degree of Government involvement to ensure that, given higher rates or increased compensation, the railways will make the required system and capacity changes needed to improve grain service.

At the other end of the spectrum is the National Farmers Union, which favors maintaining the Crow rates "in perpetuity" with no increased level of compensation to the railways.

The railways, understandably, favor revision of the Crow rates to compensatory or commercial levels. CP Rail has stated that, depending on the degree of revision of statutory rates, it would assume responsibility for grain transportation, as well as maintenance of grain cars and branchlines currently subsidized by the Federal Government. CP Rail has cited a sixfold increase as the prerequisite for making necessary improvements to rail lines in British Columbia, including the much-needed tunnel in the Rogers Pass.

Meanwhile, suggestions for near-term improvements in throughput capacity of the grain handling and transportation system have been numerous. Among them:

- Reduce the number of grades and quality attributes of grain.
- Clean more grain inland.
- Increase foreign matter tolerances for export grain.
- Dredge berths and construct new shipping galleries at Thunder Bay.
- Institute a system of incentives and penalties for all participants in the grain handling and transportation network. □

U.S. Exporters Respond To Egg Import Boom In Middle East

Exports of U.S. eggs to the Middle East more than quadrupled in value during the first 10 months of fiscal 1980 (October 1979-July 1980), reaching \$8.9 million, compared with \$2 million during the same period in fiscal 1979. Saudi Arabia accounted for much of the increase as sales of U.S. eggs there rose to \$3.8 million while a new market opened in Syria, which took \$1.7 million worth of eggs during the 10-month period. Egypt is expected to become a major U.S. egg market over the next few months because of a shortage of meat, pulses, and other sources of protein. During the first 10 months of fiscal 1980, U.S. egg exports to Egypt totaled \$501,000, up from \$201,000 in the same year-earlier period. New markets for American eggs are also developing in Kuwait, Iraq, Libya, and the Yemen Arab Republic.

Indonesia Trims Rice Imports, Adds Stocks After Good Harvest

Due to an excellent wet-season harvest and heavy domestic purchases of rice, Indonesia has trimmed imports and added to its bulging stock levels. Indonesia, the world's third largest rice importer, is expected to produce a record 19.8 million tons of rice, milled basis, in 1980. Imports are now estimated at 2.0 million tons, about the same level as in 1979. Of these, 160,000 tons are expected to come from the United States, virtually all under P.L. 480. Meanwhile, the country's rice stocks, which had risen to a record 2.5 million tons in September, are expected to decline to about 2 million tons by year's end.

Canada, China Sign Memorandum of Understanding

Canada and China recently signed a Memorandum of Understanding calling for a number of joint projects in 1980/81. These include research projects in rangeland management, a model ranch in northeast China, exchange of plant and animal breeding materials, and—of special interest to the Chinese—an increase in the work-study program with emphasis on dryland farming.

Iran's Meat Imports May Double in 1980/81

Hostilities in the area are affecting shipments of meat to Iran and further exacerbating the meat shortage there. Before this outbreak, Iranian sources indicated that Iran expected to import between 250,000-300,000 tons of meat during 1980/81—almost double the year-earlier level. Much of the import cost, estimated at \$630-\$650 million, would go to lamb farmers in Australia and New Zealand. Iran expected to purchase between 40,000 and 50,000 tons of Australian meat, mostly lamb, which is normally airshipped. This would make Iran the biggest importer of Australian lamb. In recent years, Iran has continued to import live sheep (shipped through the Persian Gulf) from Australia, numbering over 2 million per annum. In line with a multiyear contract, Iran expected to import about 90,000 tons of lamb from New Zealand in 1980/81.

Egypt Needs To Import More Pulses This Year

Because of declining domestic production and ample supplies on the world market, Egypt's imports of pulses (mainly fava and lentils) have increased significantly since 1974. However, as a result of rising prices and disruptions in sources of supply, the import flow changed drastically this year and the tight supply situation is expected to continue into the 1980's. The country's Ministry of Supply provides generous subsidies for sales of dry beans and lentils at cooperative stores. If Egyptian consumers could adapt to the various pulses offered by the United States, exports of U.S. pulses (mostly lentils) to Egypt could rise substantially from an expected \$12 million this year.

Demand Remains Strong For Thai Rice

Despite a slowdown in Thai rice exports implemented earlier in the year, exports through August were continuing to run about one-third higher than those a year earlier. Thailand's rice exports for calendar 1980 are now expected to total at least 2.5 million tons versus a record 2.7 million last year. The Government had imposed limitations on rice exports during June-August because of the expected shortfall in the country's second rice crop and increased exports earlier in the year (see *Trade Briefs*, July 1980).

New FAS Assignments Around the World

Secretary of Agriculture Bob Bergland has appointed James R. Brow as U.S. Agricultural Trade Officer to Beijing, China. Brow will reside temporarily in Hong Kong while working half of the time in Beijing before moving into the new ATO that is scheduled to open in Beijing in 1981. Harold Rabinowitz has been named Agricultural Officer in Milan, Italy. Appointed as Agricultural Attachés were: W. Lynn Abbott to Quito, Ecuador; Richard Blabey to Kuala Lumpur, Malaysia; Forrest K. Geerken to Rabat, Morocco; Lloyd I. Homes to Bogota, Colombia; Roger S. Lowen to Belgrade, Yugoslavia; and Walter A. Stern to Abidjan, Ivory Coast.

Here & There

According to Brazilian press reports, Brazil has entered into an agreement to supply Japanese trading companies with 900,000 tons of soybeans and meal, valued at \$270 million, during the period from October 1980 through September 1983. . . A major Thai trade mission, composed of Government and trade representatives, was scheduled for a 19-day trip to Senegal, Ivory Coast, Nigeria, Kenya, and Egypt in October. . . In light of the current buoyancy in world sugar markets, Australian growers have been granted permission to expand area by 5 percent, a move that should boost Australia's 1981 raw sugar production by about 150,000 tons. . . A four-member team of the Mid-American Agri-Trade Council (MIATCO) recently met with farm officials in Japan, Taiwan, the Philippines, Singapore, Malaysia, Korea, and Hong Kong to survey long-range opportunities for U.S. breeding swine. . . Wine continues to be very expensive in Caracas restaurants, ranging from \$20-\$25 per bottle for ordinary Chilean and Argentine wines to \$40-\$50 for French wines, with Spanish and Italian wines falling in the middle range, reports the U.S. Agricultural Counselor, George J. Dietz. U.S. wines are not available in restaurants, but are served in the major hotels. However, because of the lengthy process required for registration of imported wines to Venezuela, U.S. vintners have shied away from this potentially good market.

WORLD AGRICULTURAL DAYBOOK

NOVEMBER

Trade/Technical Team Trips

U.S. Teams Overseas

| Date | Team | To |
|---------------------|--|---|
| Oct. 12- Nov. 16 | U.S. Wheat Associates' West African Biscuit Industry Survey Team | Senegal, Sierra Leone, Ivory Coast, Ghana, Nigeria, Egypt, United Kingdom |
| Oct. 29- Nov. 25 | U.S.A. Dry Pea and Lentil Council | Indonesia, Malaysia, the Philippines, Taiwan, S. Korea, Japan |
| Nov. 9-21 | American Soybean Assn. | China |
| Nov. 10-28 | American Seed Trade Association | Chile, Argentina, Brazil |
| Nov. 13-25 | Natl. Renderers Assn. | Japan, China |
| Nov. 16- Dec. 1 | Natl. Assn. of Animal Breeders | Japan, China, Hong Kong |
| Nov. 17-24 | American Seed Trade Association | Mexico |

Foreign Teams in the U.S.

| Date | Team | To |
|--------------------|--|---|
| Oct. 18- Nov. 2 | Korean egg industry team | Minnesota, Illinois, Indiana, North Carolina, Washington, D.C. |
| Oct. 18- Nov. 5 | Japanese agronomics and export supply study team | Minnesota, Iowa, Illinois, Missouri, Indiana, Louisiana, California, Washington, D.C. |
| Oct. 18- Nov. 8 | Japanese industrial corn promotion team | California, Iowa, Illinois, Minnesota, Indiana, New York, Louisiana, Washington, D.C. |

Trade Fairs/Exhibits

| Date | Event and location |
|---------------------|--|
| Oct. 30- Nov. 16 | International Livestock Fair; Santiago. |
| Oct. 31- Nov. 9 | National Livestock Show; Mexico City. |
| In Nov. | Solo Food Exhibit; Dubai. |
| Nov. 4-7 | World Cheese Championships; Madison, Wis. |
| Nov. 8-22 | American International Livestock Exposition; Louisville, Ky. |
| Nov. 9-14 | Food Processing Exhibition; London. |

| | |
|------------|--|
| Nov. 10-14 | Exhibition of Breeding Swine; Tokyo. |
| Nov. 13-23 | Wine and Cheese/Snack Food Exhibit at Pacifico International Trade Fair; Lima. |
| Nov. 17-22 | SIAL International Food Show; Paris. |
| Nov. 17-28 | U.S.A. National Exhibition; Beijing. |
| Nov. 19-20 | International Congress of Leather and Skin Industry; Florence, Italy. |
| Nov. 21 | Wine Tasting of California Wines; Copenhagen. |
| Nov. 24-25 | FAS Solo Exhibit, Agricultural Trade Office, for SIAL exhibitors; London. |

Meetings

| Date | Organization and location |
|--------------------|---|
| Early Nov. | Wisconsin Cheesemakers' Association Convention; Lacrosse, Wis. |
| In Nov. | FAO Intergovernmental Group on Jute, Kenaf, and Allied Fibers; Rome. |
| In Nov. | National Forest Products Association; Palm Springs, Calif. |
| Nov. 8-11 | Annual Convention of American Meat Institute and USMEF Board of Directors; Chicago, and |
| Nov. 9 | Annual meeting of the Meat Importers council; Chicago. |
| Nov. 9-14 | World Conference on Soy Processing and Utilization; Acapulco. |
| Nov. 10 | President's Export Council, Washington, D.C. |
| Nov. 10-14 | Senior Wheat Marketing Officials; Adelaide, Australia. |
| Nov. 10-21 | International Sugar Council; London. |
| Mid-Nov. | Tanners' Council of America annual meeting; Chicago. |
| Mid-Nov. | National Hide Association; Hawaii. |
| Mid-Nov. | Semiannual US-USSR Grain Consultations, Moscow. |
| Nov. 17-18 | U.S.-EC Semiannual High Level Bilateral Consultations, Washington, D.C. |
| Nov. 17-20 | FAO Regional Conference for the Near East, Abu Dhabi or Dubayy; United Arab Emirates. |
| Nov. 21 | BIFAD Meeting of AID, USDA, IDCA, and University Representatives; Washington, D.C. |
| Nov. 24-27 | OECD Committee for Agriculture; Paris. |
| Nov. 24-28 | IWC Council Meeting; Food Aid Committee Meeting; London. |
| Nov. 24-29 | 39th Plenary Meeting of the International Cotton Advisory Committee (ICAC); Manila. |
| Nov. 24- Dec. 5 | FAO Council; Rome. |



First Class

Tap the **BIG** Middle Eastern Market for Processed Foods!

A market for processed foods worth \$1.4 billion—and growing all the time—currently awaits U.S. exporters in Egypt, Saudi Arabia, and Bahrain. The U.S. share now is about \$135 million*—so there's work to be done—and the time is March '81!

Be one of the approximately 30 U.S. Processed Food exporters who will show their products at the American Food Exhibit at Cairo, March 16 & 17 and one of the 7-10 members of the USDA-sponsored Processed Food Sales Team who will go on to Saudi Arabia (Jiddah—March 19-21 . . . Riyadh—Mar. 22 & 23 . . . and Dhahran—Mar. 24 & 25) and then on to Manama, booming capital city of Bahrain—March 26-28 . . .

In each city U.S. exporters will be talking to the people who make the buying decisions.

First come—first served!

For further information, call Ed Heslop at 202-447-3031, or write him at Export Trade Services Division, FAS, USDA, Washington, D.C. 20250

*not including bulk commodities.

EGYPT



Cairo

Mar 16-17

U.S. Food Exhibit

SAUDI ARABIA

BAHRAIN

Jiddah
Mar 19-21

Food Sales Team

Riyadh
Mar 22-23
Food Sales
TeamDhahran
Mar 24-25
Food Sales
TeamManama
Mar 26-28
Food Sales
Team